BRUNELLO CUCINELLI

ANNUAL FINANCIAL REPORT – CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022

(COURTESY TRANSLATION FOR THE CONVENIENCE OF INTERNATIONAL READERS)

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LETTER TO THE SHAREHOLDERS

Dear Shareholders,

In this year so full of important events for all humanity, we conclude our first ten years of fruitful cooperation. Once again our spirits are torn by two feelings about the times we are living through. On the one hand we are highly satisfied with the excellent results of our Casa di Moda, which continues to grow in a way that we dare to call beautiful. On the other hand, the most important news coming from the world arouse within us reflection and compassion. It seems that we have just only overcome the serious dangers of the pandemic, and now we must attentively monitor the evolution of international tensions: these are events of global significance that make us ponder the spirit of humanity and its course, with the utmost confidence in the wisdom of human beings.

We continue to look to the future with great confidence, because we believe that these reflections, this human feeling that arises in us in the face of such events is a fundamental source of strength and hope, the keystone with which to build a future of harmony and serenity. Even Voltaire, in his remarks on the catastrophic effects of the terrible 1755 Lisbon earthquake, ended his poem with a necessary word: “hope”.

It is with this sentiment that we turn to comment on the very positive results of 2022. In these ten years, in all the challenges we have faced together, we have faithfully followed the ideals underpinning the company, the principles of **Humanistic Capitalism and Human Sustainability**, which unceasingly represent a **guiding light for interpreting the great and small changes in the world**, to face the choices that have been made in these years with great dignity and humanity.

I feel it is particularly important to emphasise that **the special** savoir faire **of our artisans represents the heart of our company**, the essence that allows us to convey, through the quality of our craftsmanship, the philosophy that represents us. Recently, in February, we celebrated the 45th anniversary of the company’s founding. At the time I was a young man guided by insight and great ideals, a vision that could not have been developed without the invaluable artisanal knowledge of our land, **the special expertise rooted in Umbria, which we have always endeavoured to preserve, hand down, promote and to renew its dignity in the contemporary world**.

With knowledge well-grounded in Italian tradition and our gaze turned to the future, in 2013 we founded the School of Arts and Crafts, a place of learning dedicated to young people who want to **learn and renew the appeal of ancient crafts**, rich in a dignity that has unfortunately been neglected for many years and that is the foundation of the great Italian apparel tradition. Always striving to maintain the highest standards, the school has expanded over time with new courses and new spaces, which we hope will provide fertile ground for the inspiration of all those young people who wish to grow in the world of fashion and contribute their enthusiasm and freshness.

In the pursuit of healthy growth, we have constantly looked to the company’s founding values: respect for beauty, human and labor dignity, the adoption of the ethics of fair profit, the preservation of tradition and the search for harmonious innovation, and the beautification of Creation for future generations.

We believe that the recent successes and laurels are a key element in renewing the energy we devote each year and each season to building **healthy, sustainable growth**. We are encouraged to look positively towards the coming years, to ensure spiritual and material serenity for all our employees, to increase our contribution in the custodianship of our Mother Earth and in improving the harmony of the whole of Creation.

Looking up to the sky, I am convinced that the "celestial music" our ancestors spoke of, which moves the great systems of the universe, makes us aware of the small yet important role we play in our beautiful world. I think this offers everyone the first inspiration to do great things, those of great human value, so that humanity will find harmony in a bright future for all people.

Brunello Cucinelli
Chairman of the Board
of Directors

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Brunello Cucinelli
Chairman of the Board
of Directors

CORPORATE DETAILS

Registered office of the Parent Company

Brunello Cucinelli S.p.A.
Viale Parco dell'Industria 5, Solomeo
Corciano - Perugia

Legal data of the Parent Company

Approved share capital € 13,600,000
Subscribed and paid-up share capital € 13,600,000
Perugia Company Register, no. 01886120540.

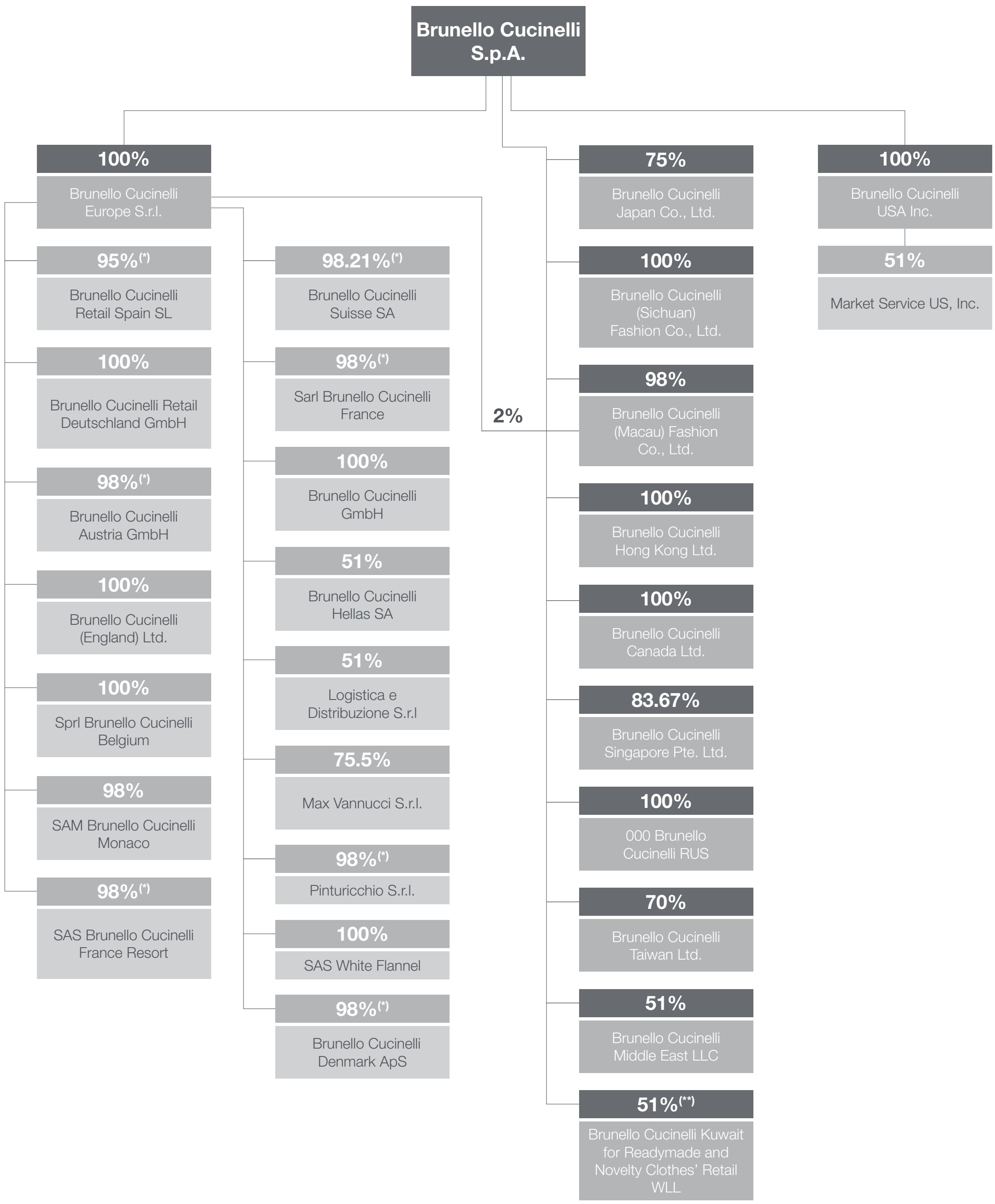
Company website http://investor.brunellocucinelli.com/en/

CORPORATE GOVERNANCE BODIES AS AT 31 DECEMBER 2022

Board of Directors(1)	Brunello Cucinelli	Executive Chairman
	Riccardo Stefanelli	Managing Director and CEO
	Luca Lisandroni	Managing Director and CEO
	Giovanna Manfredi	Director
	Camilla Cucinelli	Director
	Carolina Cucinelli	Director
	Stefano Domenicali	Independent Director
	Andrea Pontremoli	Independent Director
	Ramin Arani	Independent Director
	Maria Cecilia La Manna	Independent Director
	Emanuela Bonadiman	Independent Director
Lead Independent Director	Ramin Arani	
Control and Risks Committee	Maria Cecilia La Manna	Chairwoman
	Andrea Pontremoli	
	Emanuela Bonadiman	
Remuneration Committee	Emanuela Bonadiman	Chairwoman
	Stefano Domenicali	
	Ramin Arani	
Board of Statutory Auditors(1)	Paolo Prandi	Chairman
	Alessandra Stabilini	Standing Auditor
	Gerardo Longobardi	Standing Auditor
	Guglielmo Castaldo	Alternate Auditor
	Myriam Amato	Alternate Auditor
Auditing Firm	PricewaterhouseCoopers S.p.A.	
Financial Reporting Officier	Moreno Ciarapica	

(1) Appointed at the Ordinary Shareholders' Meeting of 21 May 2020; will remain in office until the Shareholders' Meeting called to approve the financial statements for the year ending 31 December 2022.

THE BRUNELLO CUCINELLI GROUP AS AT 31 DECEMBER 2022



(*) The remaining percentage is held by BRUNELLO CUCINELLI S.p.A.

(**) Percentage of ownership held by virtue of voting agreements with the minority shareholder.

GROUP STRUCTURE AS AT 31 DECEMBER 2022

Company name	Registered office
Brunello Cucinelli S.p.A.	Corciano, frazione Solomeo (PG) – Italy
Brunello Cucinelli Europe S.r.l.	Corciano, frazione Solomeo (PG) – Italy
Max Vannucci S.r.l.	Corciano (PG) – Italy
Pinturicchio S.r.l.	Corciano, frazione Solomeo (PG) – Italy
Logistica e Distribuzione S.r.l.	Milan – Italy
Brunello Cucinelli Austria GmbH	Vienna – Austria
Sprl Brunello Cucinelli Belgium	Brussels – Belgium
Brunello Cucinelli Denmark ApS	Copenhagen – Denmark
Brunello Cucinelli Retail Deutschland GmbH	Munich – Germany
Brunello Cucinelli (England) Ltd.	London – United Kingdom
Sarl Brunello Cucinelli France	Paris – France
SAS Brunello Cucinelli France Resort	Courchevel – France
Brunello Cucinelli GmbH	Munich – Germany
Brunello Cucinelli Hellas SA	Athens – Greece
SAM Brunello Cucinelli Monaco	Principality of Monaco
OOO Brunello Cucinelli RUS	Moscow – Russia
Brunello Cucinelli Retail Spain SL	Madrid – Spain
Brunello Cucinelli Suisse SA	Lugano – Switzerland
SAS White Flannel	Cannes – France
Brunello Cucinelli Canada Ltd.	Vancouver – Canada
Brunello Cucinelli USA Inc.	New York – USA
Market Service US, Inc.	New York – USA
Brunello Cucinelli (Sichuan) Fashion Co., Ltd.	Chengdu – China
Brunello Cucinelli Hong Kong Ltd.	Hong Kong – China
Brunello Cucinelli (Macau) Fashion Co., Ltd.	Macao – China
Brunello Cucinelli Japan Co., Ltd.	Tokyo – Japan
Brunello Cucinelli Singapore Pte. Ltd.	Singapore
Brunello Cucinelli Taiwan Ltd.	Taiwan – China
Brunello Cucinelli Middle East LLC	Dubai – United Arab Emirates
Brunello Cucinelli Kuwait for Readymade and Novelty Clothes' Retail WLL	Kuwait City – Kuwait

DISTRIBUTION NETWORK

The Group offers its products on the market through a number of different distribution channels.

From the standpoint of the end customer the Group is present on the market through:

– The **retail distribution channel**, i.e. the distribution channel with which the Group sells directly to the end customer through directly operated stores, the so-called DOSs (Directly Operated Stores) and hard shops, i.e. spaces located inside department stores and managed under the Group's responsibility and with direct employees.
  At 31 December 2022, the directly managed boutiques (DOSs) totalled 119, with the number of hard shops within department stores equal to 42.

– The **wholesale distribution channel**, i.e. the distribution channel through which the Group sells to independent partners, with the result that in this case these resellers are the Group's customers (and not the end customer). This channel therefore includes both monobrand stores operated by third parties under commercial distribution agreements (wholesale monobrand), independent multibrand points of sale and dedicated shop-in-shops in department stores (wholesale multibrand). The Group uses a network of agents and distributors for sales to a number of wholesale monobrand and multibrand customers.
  At 31 December 2022, there were 30 wholesale monobrand boutiques.

A summary is provided below of the Brunello Cucinelli Group's monobrand sales network at 31 December 2022 compared to the situation at 31 December 2021:

Distribution channel	31/12/2022	31/12/2021
RETAIL	119	114
WHOLESALE	30	30

The following table sets out existing sales points at 31 December 2022 by location:

	Italy	Europe	Americas	Asia	Total
Total Brunello Cucinelli stores	14	45	38	52	**149**

REPORT ON OPERATIONS OF THE BOARD OF DIRECTORS

COMPANY PHILOSOPHICAL AND STRATEGIC REPORT

Letter to the wise men and women of Humanity

Women and men who, with humanity and wisdom, bear responsibility for the destinies of Creation, you will be aware that in the difficult days and transitions that have lasted a time that can no longer be referred to as short, something, like some painful destiny, has now become our habitual companion. For two years, a virus has been roaming around the world, which like a malignant Proteus has a thousand lives and ever-changing forms, and, like the waves of a dark sea, it recedes as a low tide to then return, silently, meter after meter, often stealing lives along with our ever-renewed hope. You are aware that last year it seemed to us at times that we had left behind this reality that we had tried to ignore, pretended to overlook, but that nevertheless was part of every conversation, pervading our minds as we fell asleep, becoming the tiresome guest in our heads in every single instant of the day, it denied us the happiness of living together with our families and working, and the joy of being in harmony with nature.

The landscapes that caressed my soul throughout a beautiful childhood spent in the fields, together and within Creation, embraced by Mother Earth, those enchanted landscapes seem so far away to me today! Nature renews itself and by renewing itself, it strengthens, and it is the same for us, ritual is at the very foundation of history, a story of beauty. How many nights, as a young boy, I would go to the window, and the moon, as if it were there waiting for me, would be shining fresh and bright, and I dreamt about what was in the sky and beyond the horizon. The sky has a great responsibility, and in the meantime, we are waiting for old age so that we can recall our memories with our grandchildren, not boring senile sentences, but useful reminders of a youth where our person and nature were so close that they seemed to be one.

Today the sleep of reason has awakened an ancient demon, namely war, which Tolstoy, in his greatness, considered an “event opposed to human reason and human nature”. This ugly soul of the world peeps out again with all its inherent material and spiritual desolation, and because of this, the burden we carry on our shoulders becomes even heavier. Nevertheless, as St. Augustine prayed, “O God, thank you for sending me pain as a teacher”. Pain makes us stronger, it brings us back to core values and it unites us. This Creation, whose silent universal language we perceive, still tells us that life is all before us, for an infinite time. We know, as human creatures, that even the poorest person is still a person, and bears the name of sister and brother living together, helping each other, and then all together, like in an immense universal embrace. It is along this road that we will reach peace. We expect the answers to come from your wisdom so that all of this becomes relevant for all of humanity.

Hafez, a 14th-century Persian mystical poet, reminded us that we can rebuild a different world and a new humanity. This is what we believe in. The teaching of a lifetime, for us and for all men, it is something that you sages know. The sky, the stars and Creation are the origin of our essence and their consistency is perennial and not contingent. Sometimes, as in the conjuncture of our days, this reality may appear less clear, the strength of our courage to believe may fail, but for this very reason, as Emperor Marcus Aurelius thought, we must be in agreement with every note of the divine harmony of Creation, and it “will grant us good visions”.

And I appeal to you, women and men, temporary guardians who rule the destinies of the world, because now seems to be time for a contract, for a new social contract extended not to individual parts, but to Creation as a whole. We may believe that it is difficult to recognise the path to follow, but we only have to gaze into the distance, straight ahead. Therefore, we will see clearly, and we will know which laws to write on the tablets of a new alliance with the universe. When we are once again able to experience the solemnity of silence, the beauty of a ploughed field, black and fertile, the tenderness of the vaporous drops of the mists, the wind that makes the clouds dance, when we have finally returned to being loving children of the planet that hosts us, then we will know how to respect it again, and having emerged from the enclosures of pain, we will have an infinite, endless new life before us. It is to you that we turn, to the answers you will give, so that these expectations, these dreams, these visions become the new life of humanity.

The paths of the soul are clear, giving way to the sky as it turns back to blue.

Brunello Cucinelli
Chairman of the Board
of Directors

COMPANY INFORMATION

Brunello Cucinelli S.p.A. is a Casa di Moda and Company incorporated under Italian law with registered office in Solomeo, Viale Parco dell'Industria 5, and listed on the Electronic Stock Exchange (MTA) of Borsa Italiana.

The operations of the Casa di Moda are focused on the creation, production and sale of Brunello Cucinelli brand clothing, accessories and lifestyle in **total-look collections for Women**, **Men and Children**, always conceived as an expression of the ethical and human values cultivated in the Hamlet of Solomeo. The brand is internationally recognised as an example of excellence **Made in Italy** and a benchmark in the **luxury** goods sector capable of combining the timeless qualities derived from the **selection of the finest materials**, **craftsmanship** and **exclusivity** with a **contemporary creativity** receptive to market trends and technological innovations.

Based on the founding values of respect for **human dignity** and the **beauty of Creation**, the Company seeks **growth by pursuing the principles of balance, harmony** and **sustainability**, with constant attention to the rhythms of humanity and nature. The Brunello Cucinelli Casa di Moda is universally recognised as a prime example of **"Humanistic Capitalism"**, capable of combining the **preservation of tradition**, the development of the **"thinking souls"** who work for the common good of the company, and the promotion of important projects aimed at **beautifying Creation and the legacy destined for future generations**.

THE YEAR 2022

For our Casa di Moda, **2022** was a year that we consider **truly splendid** in many respects, to our great satisfaction.

Splendid for the very nice increase in turnover (**+29%**), which marked a memorable year, and for the expected continued growth. We believe that, with regard to the interlude in 2020 when the pandemic struck, the "**complete rebalancing**" we had hoped for our Casa di Moda was achieved this year.

Splendid for the creativity we were able to develop, strengthened by a renewed consciousness gained during the pandemic. In fact, as we developed the collections during the pandemic we were able to make the most of our craftsmanship and the quality of the materials in order to further define **the distinctive taste of our collections**, which received **important accolades from customers and the trade press**.

Splendid for the further strengthening of all our networks of collaborators and partners. Our production chain was fully preserved and the bond of trust was reinforced during these two very important years. On the other hand, our network of **direct boutiques** has been enriched and consolidated, expressing a **welcoming, familiar** idea of **luxury**, flanked by the special Casa Cucinelli spaces which express our ideal of hospitality at the highest level. Moreover, the already **strong wholesale partnerships** with our 400 multibrand customers worldwide were further strengthened.

Finally, splendid for the awards received throughout the year for the exclusivity of the product, positioned in the highest bracket. We consider it of fundamental importance that the value conveyed by the guiding ideals of our distinctive humanist philosophy be added to the value of our handiwork, which is the result of a skilful blend of traditional know-how and constant innovation. In conjunction with the **search for simplicity in taste and timeless elegance**, we believe that **the philosophy that guides the creation of the collections and the communication of the image** has greatly contributed to strengthening the relationship of **trust with end customers**, with whom we have built a special relationship over the years.

THE BENEFITS OF THE FOUR MAJOR DECISIONS IN RESPONSE TO THE PANDEMIC

Two years on, we feel increasingly convinced that **four major decisions made in March 2020** played a decisive role in the beautiful growth we are witnessing, enabling us to maintain excellent relations with all our employees and partners:

1) **Not to dismiss** any employee anywhere in the world and **guarantee them the same salary** as in 2019;
2) **Not to ask for discounts** of any kind from anyone, fully confirming one of the fundamental criteria of our approach;
3) Allocate the goods that were not sold due to the forced closure of the boutiques to the "**Brunello Cucinelli for Humanity**" project;
4) Maintain **a solid warehouse stock**, at the usual levels, so as to be ready for when stores reopened.

Thanks to these four major decisions taken in 2020 we have fully preserved our production and distribution structures, while maintaining our growth momentum.
Indeed, we think that the decision not to lay anyone off was favoured by the strength and concreteness of our **welfare state**, which allowed the **production system** to be **ready** as soon as **orders started up again at full capacity**, rewarding companies like ours with a **solid production organisation** and a **short supply chain**.

We believe that a rapid, positive relaunch was also favoured by a **strong market demand** that exceeded supply, which was particularly oriented towards **very high-quality products**, the expression of a **"more simple" taste** and timeless style, and in 2022 our Casa di Moda was able to benefit from this greater demand.

ARTISANAL DIMENSION OF THE ENTERPRISE

In our opinion, decisive, key factors in achieving the year's results were the **short supply chain**, exclusively **Made in Italy**, the **excellent relationship** of **esteem** and **cooperation** with all our **suppliers**, and the uninterrupted **investment in raw material purchases**. The quality of the service offered to our wholesale partners and our boutiques in terms of completeness and punctuality of deliveries has helped us to always maintain **excellent relationships of trust with our collaborators** and to **always offer a fresh image to our customers**.

All these elements enabled us to meet the **many requests for refill orders** that we received in the latter part of the year, while maintaining an **excellent level of service** in the **wholesale channel** and a **broad assortment** in the **directly operated** shops.

The love for our "bella fabbrica" and care for the short supply chain

We strongly believe in the **great value of the factory as a place of high creativity and quality**. Brunello Cucinelli himself likes to recall the words of a great Italian entrepreneur and founder of industry, Leonardo Del Vecchio, who stressed the need for a factory to be not only efficient, but also "beautiful".

We believe that the care we devote to the beautification of our workplaces is an integral part of the respect and creativity of all employees, and is the first criterion for enabling them to work calmly on a daily basis, to think confidently about the future and development. The care of the working environment extends to the **entire production chain consisting of over 400 artisanal workshops**, the central hub of the production of our highly handcrafted collections, as over 50% of our production is created by hand with needle, thread and scissors.
As usual, we were able to ensure the availability of raw material by anticipating our requests to our industrial partners as much as possible in a relationship of great cooperation, respect and mutual understanding. The great responsiveness of our short, all-Italian supply chain thus made it possible to make an increase in product volumes "normal" faster than experienced in the past.

We are very pleased that our supply chain is constantly growing while still maintaining the artisanal nature that sets it apart, and we believe that this close relationship – both geographical and relational – constitutes a precious added value for the nature of the collections, for the allure of the brand and for its positioning, consistent with our idea of luxury.

THE PRODUCT

High Craftsmanship

Our industry and Casa di Moda were established with the aim of producing **high-quality, handcrafted products**, expressing exclusivity in both materials and their production and packaging, seeking to create garments that will last over time and that can be handed down from generation to generation.

We believe that for the luxury market, the main attraction is the **desire** for products with a **high level of craftsmanship, an expression of authenticity and exclusivity**. Moreover, a renewed **focus on sustainability** has further spurred customers' search for a **"well-made"**, **long-lasting product**.

When developing collections, the valuable skills of experienced artisans are constantly consulted and stimulated in a virtuous creative circle in collaboration with the creative teams, thus generating a mutually enriching relationship. The value of this collaboration makes it possible to place the **product at the centre of** our **Casa di Moda**'s operations, and to base its positioning in the absolute luxury segment on its **intrinsic quality**.

As a guarantee of the handcrafted quality of the collections, we always offer all customers the opportunity to **repair and refurbish their garments** in order to prolong their life, solidify trust and reduce waste. We would also like these items crafted by skilful hands to be **left as a legacy** to future generations, as an expression of timeless beauty.

Handiwork of Excellence

The development of the collections, the sales results and the attention received from industry insiders also put the focus on a segment of the product range that constitutes a **special part of the ready-to-wear collections**, that of the **more artisanal and more complex garments**.

These production characteristics, fine-tuned after extensive research and experimentation, necessarily add a significant cost to the final product, but we have had occasion to note how the customer understands the value of this, as they are aware of the very high quality and exclusivity of the product, and our constant attention to the **pursuit of a fair profit**.

Furthermore, the special processes involved, which are either entirely manual or executed with sophisticated innovative techniques, instil a quality in the garment that in itself guarantees the unique value of each element.

Balance between the Women's and Men's collections

We believe it is important to work continuously to consolidate our taste and to seek a **considered balance between the style of the Men's and Women's collections**, as we believe that the **recognisability of the product**, whether for men or women, is highly significant, and the fruit of Brunello Cucinelli's savoir-faire and distinctive aesthetic.

Indeed, this recognisability has the considerable task of balancing the absence or minimal presence of the brand's logo, another distinctive element of the Brunello Cucinelli range. We believe that it is in the **small, handcrafted details**, and obviously in the fundamental **ability to mix and match** that our **identity** and **style** are **recognisable** to those who observe our garments and accessories.

We are very pleased with the results of and positive comments on the collections during the year, especially the many articles in the trade press and the satisfaction expressed by customers and friends of the brand. One aspect that we would like to emphasise, which is a source of heartfelt gratification, concerns the judgement of customers who perceive the contemporary appeal of the collections, which appear "**fresh**" and **chic**.

Our idea of "Contemporary Licence"

On 21 November, an exclusive ten-year "**contemporary licence**" agreement was signed with **EssilorLuxottica** for the design, production and distribution of "Brunello Cucinelli" prescription glasses and sunglasses. This agreement represents the **natural evolution** of the **partnership** that began in 2021 with the launch of the first eyewear capsule in collaboration with one of EssilorLuxottica's exclusive brands, an agreement that had created the "**Brunello Cucinelli and Oliver Peoples**" logo.

We believe that the **contemporaneity** of this licence allows for a further **important development of the Eyewear collection**, even more focused on the brand's distinctive taste. Our creative team in Solomeo will have the opportunity to collaborate directly with EssilorLuxottica in developing prototypes and monitoring all phases related to the **production exclusively Made in Italy**.

A key aspect of this "Contemporary Licence" is also the fundamental collaboration in the **distribution** of the products, which aims to identify the **most suitable and exclusive spaces** in which to present the eyewear collections, with a **limited presence** in our single-brand boutiques in combination with EssilorLuxottica's most prestigious spaces and the most prominent independent opticians.

The School of Contemporary High Craftsmanship and Arts in Solomeo

We have always considered **training** in trade schools to be a topic of great importance, to be followed and managed with particular attention. In keeping with our Humanistic Philosophy, we strongly believe in **young people** and their **ability to learn tradition** while **stimulating new creativity**. Thanks to their fresh energy and lively sensibilities, we have the opportunity to devote new attention to detail, to look with fresh eyes at the criteria of our work, and to teach the values we have cultivated so that they can be passed on.

In light of these reflections, we expanded the curriculum of the **School of Contemporary High Craftsmanship** inaugurated in 2013 in Solomeo, for which we received many requests from young people from all over Italy and beyond. It fills us with great satisfaction to see that we have provided a source of knowledge for all those young people who want to learn a trade that, unfortunately and at great risk, has long been neglected and regarded as "inferior" to others. Ever since the foundation of the Solomeo School of Arts and Crafts, the main objective has been to **restore dignity to these trades**, hiring **highly qualified instructors**, providing **well-kept spaces**, and offering a **fair "remuneration"** to apprentices, just like in the Renaissance workshops that inspired us.

For us, the schools represent a **great long-term project**, designed for our future artisans who, learning now, will play the valuable role of skilled craftsmen in the future. The fruits that we have been able to reap from this work over time are irreplaceable and we are truly honoured.

POSITIONING AND MARKET

Exclusivity, protection and positioning in absolute luxury

We consider the highest segment of the luxury market to be our target market, historically very non-volatile and constantly supported by a demand in search of a contemporary product of the highest quality.

We believe that the brand's image of **exclusivity** is closely linked to the protection of the **high-quality craftsmanship** of the collections and the promotion of the **Italian lifestyle**, and as a form of balancing against the increasing digital visibility we believe that **brand protection** and the perception of exclusivity are central elements within the contemporary world and market.

For us, "**safeguarding the brand**" means **preserving its allure** through **discreet communication** connected to the company's identifying values, concentrating the offer in **prime locations**, paying constant attention to the **modernisation of all spaces**, and curating its **digital presence** in accordance with the essential communication principles that have always distinguished it.

In many categories today, we seem to see a **search for the top end of the range** that effectively supports the brands with the most prestigious positioning. In this context, our idea of **not over-exposing** the product and **protecting** our **brand** seems to us to have **increased** its **appeal and attractiveness**.

The centrality of the Ready-to-Wear product range

The increased exposure and visibility of people's lives have progressively increased the attention paid to how they present themselves to others, boosting the importance of the **ready-to-wear category, which is fundamental** in defining a person's **image**.

We believe that the centrality of the **product in the company**'s business and its **positioning in the luxury world** has enabled us to respond effectively to the widespread **desire to "dress well"**, a trend that is now more universal than ever as it is expressed by both more experienced and younger customers.

We believe that the centrality of a Ready-to-Wear product oriented towards "**contemporary elegance**" combined with a selection of carefully studied looks and a complete lifestyle allows us to propose a well-rounded range to the customer, always fresh and at the same time distinctive, thanks to the great attention paid to the constant renewal of shop windows and the specificity of each square, and we therefore observe a **constant increase in the number of end customers** we are serving.

Balance and Complementarity between sales channels

One aspect that we consider to be of considerable importance with respect to the quality of sales concerns the **balance** between **distribution channels** (retail, wholesale and online), between **geographical areas** (Italy, Europe, the Americas and Asia) and between **product categories**, including **the balance of supply between women's and men's collections**.

In 2022, the **complementarity** and **synergy** between the **wholesale** and **retail channels** was particularly important, allowing us to treat many countries in the world like "**domestic**" markets, and to satisfy demand both in **large capital cities** and in **smaller towns** and **resorts**.

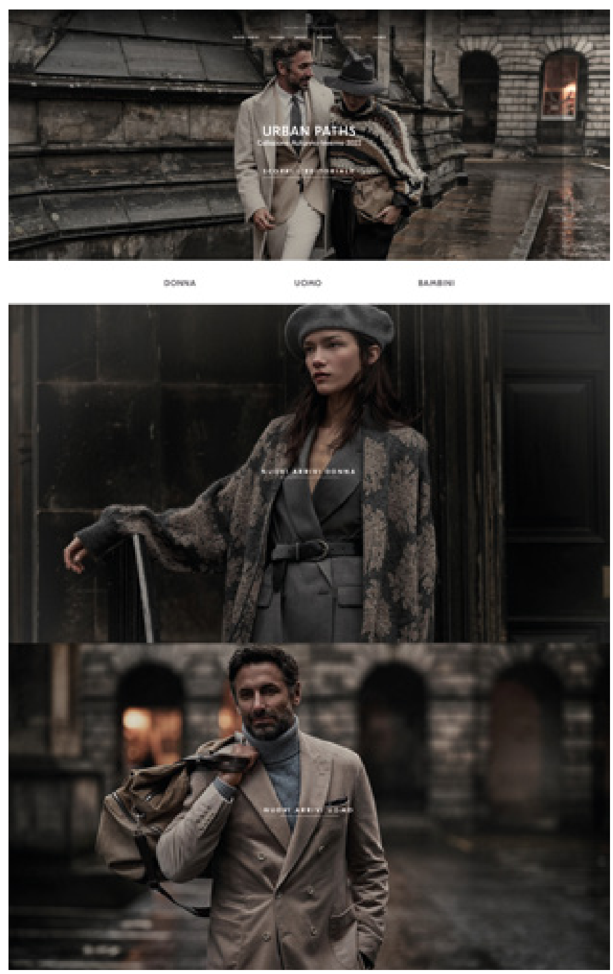
The **multibrand** channel experienced a year of **great operational and planning vitality**. In the US, our performance in the luxury Department Stores was very positive, as was that of the most important Italian, European and Asian Speciality Stores. The significant growth in 2022 underscored the **strategic importance** for our brand and the **"contemporary" apparel line**. The results achieved have certainly benefited from the need of our partners to meet **strong end-customer demand**, resulting in fast delivery times that we think we have been able to meet.

As far as the **retail channel is concerned**, we have invested heavily again this year in the constant qualification of our boutique network with **selected prestigious openings**, **some expansions** and **repositionings** in important cities, and in the **constant renovation of all our showrooms**.

E-commerce as a showcase to the world

Now more than ever physical and digital channels are complementary and mutually beneficial, each indispensable in order to pursue an articulated and diversified development of our distribution and – perhaps even more importantly – to **effectively disseminate the brand's image and values worldwide and across the board**. The digital channel aims to offer the most convenient, straightforward and complete experience of the brand's philosophy and products.

E-commerce was conceived as a global digital flagship with a vast assortment that also serves as a tool for the presentation and digital representation of the company's collections, its image and creativity, its lifestyle. Constantly updating and monitoring the structure of the website and its user experience allows us to offer the customer an **image that is always fresh, enhanced by simple, consistent navigation**, and supported by a **customer care team operating directly from Solomeo**. In this way, we hope to offer a consistent shopping and collection experience that is both warm and engaging.



TASTE IDENTITY AND RECOGNISABILITY

One of the hallmarks of our brand is certainly the identity of its taste, which, in addition to representing a certain way of understanding and producing the products, is based on a skilful combination of these traits in order to create the range of complete, balanced and original looks that always appear fresh in the eyes of customers. We believe that recognisable taste is a salient feature of exclusivity and its positioning in the absolute luxury sector.

We believe that this recognition contributed to the very important award that **Brunello Cucinelli** received in London in September **2021** as "**Designer of the Year**", conferred on him by the magazine ***British GQ***.

Neiman Marcus Fashion Award

We were deeply honoured to be notified in December that we had been selected for the prestigious "**Neiman Marcus Fashion Award for Distinguished Service in the field of Fashion**" for 2023.

This recognition has been awarded by Neiman Marcus since the 1930s to those who have most influenced fashion around the world, including Coco Chanel, Christian Dior, Valentino, Giorgio Armani, Miuccia Prada and Karl Lagerfeld.

The award ceremony took place on 6 March in Paris, during the March Fashion Week. This award crowns a very long, successful partnership based on mutual esteem and constant interaction. We are convinced that all this further increases the visibility and **allure** of our brand and our high-end fashion lines, which we feel are gaining more and more appreciation worldwide.

We consider this gift an "*honour to our Italy, to our Umbria, to our Solomeo and to all those human beings who are able to make special objects with their hands*", and with these words Brunello Cucinelli commented on the prestigious award:

"I am immensely grateful to my highly esteemed Geoffroy van Raemdonck and Lana Todorovich, who at this particular point in time have the honour of representing Neiman Marcus, one of the highest expressions of fashion and luxury in the world, but also an icon of lifestyle and elegance. I would also like to thank all the people at Neiman whom I have admired during our twenty years of collaboration as people of great humanity, as well as appreciating them as very special professionals. I feel particularly honoured and I like to think of this award as a high recognition that gives credit to the people of Solomeo, to the creative hands of the best Italian craftsmanship that – with their daily dedication – have built 'The Dream of Solomeo' together with my family and all my co-workers. In our work, as in life, we have always tried to be inspired by the values of Humanistic Capitalism, linked to Human Sustainability, with respect for all human beings and in harmony with the whole of Creation. Thank you, thank you very much".

OUR IDEA OF HOSPITALITY

The concept of hospitality has always been a **fundamental value** for our Casa di Moda: welcoming customers as if they were our guests, offering polite attention to make them feel at ease and to share a sincere, serene and human interaction. In all our spaces we try to convey the same sense of hospitality that we offer in the village of Solomeo.

Boutique

Over the years we have devoted special attention to developing the boutique network so that each space can be an expression of a **peaceful, welcoming atmosphere**, combining the pleasure of a familiar, domestic feel with the ability to empathetically communicate the philosophy and appeal of Solomeo's products to the customer.

Based on the space available in the various locations, all the boutiques were equipped with small bars, generous seating and bookcases, and areas not strictly intended for sales dedicated to the **relaxation** of customers and guests. In this way, we strive to convey a sense of **hospitality as it is understood in Italy and in our town of Solomeo**, as we believe it is essential to **associate the experience inside the boutiques with authentic sensations** and the idea of a **gracious, humanly sustainable luxury**.

The inspiration for all our boutiques refers to the idea of a cosy home, where the store managers play the role of "**hosts**" and **brand ambassadors**, paying attention to all those details that contribute to a homey, warm ambiance.

Even in the smallest boutiques we have always created a space to offer a **small bar and coffee service** as a sign of customer care, and at the same time **as an expression of a distinctly Italian lifestyle** that celebrates the pleasure of meeting together with the offer of a coffee or a small refreshment.

In some locations the in-house bar has become a **dedicated space, in keeping with the Italian way of life that considers it** an open meeting point, and therefore visited by many customers even if only to enjoy the atmosphere and participate in our reality.

Visual merchandising

Connected to the offer of a complete lifestyle, the value of the fit-out, the care of the space and all the visual merchandising represents a **fundamental trait of the brand's image**.

We believe that visual merchandising fulfils the very important role of **promoting the aesthetic perception** of **collections** and **environments** that are in perfect **harmony**, while also **conveying the brand's philosophy**. In a consistent, harmonious manner in all our spaces around the world, the staging of the shop aims to **create the familiar ambiance and hospitality of Italian homes**, according to the possibilities of each space and carefully combined with the **culture that hosts our shop**.

We take special care to ensure that in all the spaces that host our collections, from monobrand to multibrand, our product range is perceived as freshly contemporary through a coordinated, dynamic display that is regularly renewed and attentive to the needs of each individual location. We believe that the contribution of the Visual Team and the final contribution of all Sales Assistants around the world constitute two true arts, which are of paramount importance in finalising the company's entire philosophy and production structure.

Care of the Digital Boutique

The same philosophy that guides the organisation of the boutique network is also the point of reference for image and relationship management through the digital channel. The "digital boutique" is constantly monitored to appear aligned with the boutique layout and also **enhanced through the production of specially designed images and videos**. This way we believe that the digital image, which is increasingly important and complementary to the image disseminated by the physical boutiques, also remains **fresh and stimulating, constantly updated** and capable of responding in the best possible manner to customer demand in search of new developments and special offers.

We try to transfer the same sensitivity and skill that we pursue in brick-and-mortar boutiques through the digital world with the aid of people we call "**Humanist Artisans of the Web**", the ideal meeting point between the savoir-faire of the new generations and the knowledge of tradition according to the humanist approaches of the Solomeo brand. The publications, product ranges and communications attempt to create a **pleasant** yet **comprehensive experience** in keeping with the **values** demonstrated **in boutiques around the world**.

The Casa Cucinelli experience

The desire to share the fundamental value of **hospitality is the guiding principle behind the Casa Cucinelli concept**, now present in **Solomeo**, **Milan**, **Paris**, **New York**, **London** and **Tokyo**.

The guiding principle in the creation of each **Casa Cucinelli** is based on the expression of a **kind**, **familiar** and **relaxed hospitality**, enshrined in a meeting space that conveys our idea of lifestyle. The very name "Casa Cucinelli" is intended to immediately evoke the **feelings of familiarity and well-being** that are distinctive to the brand, which immediately convey an **Italian taste**.

Initially born as a place of "digital hospitality" during the months of lockdown, as a familiar, shared online space through which to keep in touch with our customers, the concept later developed into physical realities situated in the world's major fashion capitals. Each **Casa Cucinelli is intended to host friends and collaborators, intimate events and social receptions just as we receive guests in our own home**.

The rooms of each Casa Cucinelli include a **large social lounge**, a **library** with books in the original language, a **kitchen** where flavours are blended and wines are stored, as well as a series of different rooms for each location to promote the specific values of each host culture.

The great care taken with the furnishings, the scrupulous choice of the rarest and most precious materials, the harmonious distribution of spaces, the unique antiques recovered and restored with a contemporary perspective, the finishes with refined materials – all elements revolve around the value of time and an exclusive experience. The intention is to openly and harmoniously convey the **experience of time as it is understood in the Italian lifestyle, and especially in Solomeo**, according to an approach that we believe allows us to best promote the value of the products.

The first ten years since listing on the stock exchange

The first **ten years** since its **listing on the stock market** in **2012** marks an important milestone for our Casa di Moda. At the heart of the listing project was the idea that **the company** could "**live on in the next centuries**", and today we feel we can say we are truly satisfied with the results achieved.

We believe that we have built a relationship of esteem and trust with our **stakeholders, analysts and investors** characterised by **constant dialogue**. We believe in the great importance of the ability to listen and how it can add value to a relationship based on mutual openness, kindness, and respect.

All this was concretely evident at the "**Gratitude Dinners**" held at the end of 2022 at the Casa Cucinellis in **Milan**, **Paris**, **London** and **New York**: a precious moment of reflection and thanksgiving for 10 years of listing.

We thus feel that we have succeeded in keeping the promise we made in 2012 at the time of the original listing, with a desire to pursue growth with full dignity, as Brunello Cucinelli himself had declared in Milan on **27 April 2012** in his **speech for the listing** entitled "**For fair and graceful growth**".

"My lifelong dream has always been this: to make the work of man more humane, and to seek a listing on the stock exchange so that this business can thrive for the next fifty to one hundred years. […] When we met with the investors […] we explained our business philosophy to them, and made it quite clear that we wanted to seek a sustainable and gracious profit […] We explained that our underlying intention was to imagine a company that could grow without harming humanity, or at least do as little harm as possible […] Foreigners were intrigued by this Italian company's philosophy, by the value of skilled hands that work with dignity, pride, and curiosity: hands that work. Everyone was fascinated by the concept of restoring moral and economic dignity to work […] We wanted to search for new partners who could serve as true guardians of this business for the next century […] Therefore, if you asked me for my opinion, I'd say that I strongly believe in a new capitalism, a new contemporary humanistic capitalism. How was this idea sparked? Well, today young people know about everything; by the time they've reached their early 20s, they've already been informed about all manner of things in real time, and so we are no longer credible if we aren't true to ourselves; this is why we need a humanistic capitalism, in which enlightenment and romanticism merge together, in which the mind and soul can meet".

PROJECTS FOR THE FUTURE AND FOR HUMANITY

The acquisition of Lanificio Cariaggi Cashmere

Another very important action for the company's prospects was the **acquisition on 14 March 2022 of 43% of the prestigious Lanificio Cariaggi Cashmere**, a long-standing cashmere supplier based in the medieval Borgo di Cagli. On the one hand, the operation vertically integrated the production of the knitwear line that gave life to the brand, and still today constitutes the beating heart of the company and the inspiration behind its innovations. On the other hand, it consolidated the future development of both companies, both characterised by a profound connection with their respective local communities of Umbria and the Marche.

This step reinforces the **special relationship between the Cucinelli and Cariaggi families**, who are united by their focus on the absolute quality of raw materials, the search for the best working conditions for their respective employees, and finally an interpretation of business that is perfectly consistent with the principles of human sustainability.

Brunello Cucinelli commented on the operation as follows: *"I had the opportunity to start my own business in cashmere thanks to the human trust that the Cariaggi and Caprai families placed in me. For this, thank you very much. I always thought that Cariaggi was perhaps one of the jewels of Italian manufacturing with products of great quality and craftsmanship"*.

The balanced growth of industrial spaces

Over the years the constant, harmonious growth of the company's spaces has developed in line with the relationship that links the company philosophy to the landscape surrounding Solomeo. At every stage, the principles that guided its development have been closely linked to a **love of the land and the preservation of harmony with nature and between the people**.

Retracing the milestones of industrial development, **Brunello Cucinelli initially purchased and restored the ruined castle in Solomeo**, to give it new life as the heart of a modern factory. To cope with the company's initial expansion, an old factory from the 1960s in the valley in front of the town was acquired in the early 2000s and made efficient and contemporary again after restoration. In 2013, the expansion of factory buildings entailed the construction of new pavilions in third-party industrial spaces that housed warehouses and disused industrial buildings, all as part of an extensive valley beautification project that we called "**lovable neighbourhoods**".

In order to cope with a new phase of expansion, **the purchase of a large 8-hectare area** on the outskirts of Solomeo was finalised at the beginning of 2022, a space occupied by an industrial complex built in the 1970s and operational until about 30 years ago. Its complete redevelopment, which is now under way, and the building conversion plan will **progressively add up to about 40,000 square metres**, in addition to related services and outdoor spaces.

The strategic location **near our hometown** therefore allows for the expansion of the company's operations, supporting its growth in the years to come. At the same time, it will be possible to continue with the beautification of the suburbs, where the approach of rebuilding and renovating instead of building new spaces is always followed.

Moral and economic dignity of work: the great value of craftsmanship

The year 2022 also marks an important milestone in terms of the **human resources** that give life to the company: we have over **2,300 direct employees**, a number that we expect to grow even more in 2023 as the business develops.

Approximately **half** of our **human resources** operate in **Italy**, specialised mainly in **production and craftsmanship**, while the remaining half, mostly on the commercial side, work in various countries around the world.

In total, our Human Resources represent **65 different nationalities**, a figure that we believe clearly reflects how essential the value of mutual enrichment and the meeting of different cultures is for our Casa di Moda.

In 2022, we continued to devote great attention to our idea of **Humanistic Capitalism and Human Sustainability**.

As a sign of respect for our core values, our commitment to the pursuit of the "**right profit**", the "**right growth**" and the "**right balance**" continues.

The right profit also presupposes the right recognition of the **central value** of those directly involved in **manual labour**, specifically our esteemed **workers** and **artisans**.

For this very reason, in **2022** we introduced an **extraordinary wage supplement** with the desire to relieve the inflationary pressure on non-managerial employees. In order to further recognise the valuable efforts of our **workers**, we therefore decided on a general increase of their salary level at the beginning of 2023.

In fact, we believe that our "human resources", especially the artisans who employ their manual skills and creativity on a daily basis, deserve a **slightly higher than average economic reward**.

Himalaya Regenerative Fashion Living Lab

The Himalaya Regenerative Fashion Living Lab is a project that the company has enthusiastically gotten involved in, developed as a result of a partnership between the Sustainable Markets Initiative (SMI) Fashion Task Force, founded by King Charles III of England, and the Circular Bioeconomy Alliance (CBA).

It is a wide-ranging **humanistic project** that includes Brunello Cucinelli as one of the enthusiastic supporters of an impressive endeavour to **promote the knowledge and craftsmanship peculiar to the Himalayan peoples**.

Indeed, the project aims to support the fundamental value of a **humanely sustainable environment** in an attempt to **restore harmony between small local communities and nature in certain areas of the Himalayas**, in the name of protecting biodiversity.

The goal shared by all supporters is to **create fashion value chains that are as sustainable as possible** through the **restoration of degraded landscapes** (reforestation, agro-forestry) and the **development of traditional artisanal skills**, especially local textiles, in order to promote the indigenous cashmere, cotton and silk economies.

The philosophy of our Casa di Moda is perfectly reflected in this project, which is a natural extension of our daily activities in Solomeo, which has always been committed to the restoration of degraded landscapes in Umbria and the promotion of local traditional craftsmanship and textile skills. In keeping with the long-term outlook of the Solomeo-based company, the Himalaya Regenerative Fashion Living Lab project above all pursues the benefits that will accrue to **future generations**.

Brunello Cucinelli commented on the initiative as follows: *"I've always thought about humankind in its universal dimension. For this reason, the Himalaya Regenerative Fashion Living Lab has charmingly captured my eyes' attention as this project is a visionary initiative concerning earth and populations for which arts and crafts play a crucial role, a highly humanistic project which I could participate in thanks to the invitation by His Majesty King Charles III".*

Greenhouse gas emission reduction plan

Following the approval of the greenhouse gas emissions reduction plan in December last year, in 2022 the Company submitted its targets for reducing its direct and indirect greenhouse gas emissions to the ***Science Based Target Initiative***.

The targets include a commitment, over the **2019-2028 10-year plan**, to reduce greenhouse gas emissions by 60% in terms of economic intensity, and in absolute terms by 70% for Scope 1 and 2 emissions and 22.5% for Scope 3 emissions, with the achievement of Net Zero by 2050.

In order to ensure the achievement of these goals, our Casa di Moda has developed a **thorough and robust decarbonisation strategy**, starting in 2019, aimed at reducing the carbon footprint of the Group and its supply chain.

The GHG Emission Inventory brought to light **the first important results** in terms of reducing the emission profile, **fully consistent with the objectives of the 2019-2028 10-year plan**.

COLLECTIONS

The creation of the **collections in 2022** was influenced by reflections on the historical conjunction of two moments. On the one hand, the focus on a comfortable, casual style related to the pandemic that we are leaving behind us that connects indoors and outdoors, leisure time and professional time in a versatile way, and above all with an increasingly evident shift away from a sporty, relaxed style to a simple, refined and orderly attire.

On the other hand, a focus on the future and a new time for which we feel the need to identify new points of stability, where we believe that the new centre of gravity is a new form of **contemporary elegance**. This contemporary elegance certainly cannot disregard the values of comfort and lightness that were so critical up until now, but rather interprets them according to new canons of dressing well, giving them a new order focused on the balance of tailoring and informality, sophistication and ease.

We believe that our reflections on creativity intersect with a particular market demand that is attentive to change, stimulated to pursue innovation thanks to the increasingly important presence of social media, but at the same time attentive to the intangible value of the object, as the fruit of exclusive craftsmanship and the symbol of a philosophy and a message that it is intended to support.

The search for elegance **based on sartorial foundations but expressing a contemporary appeal** does not only concern the **men's style** – to which special attention has been paid for several years now through a **distinctive range of suits and jackets**, as well as a special **tailoring** service – but is also visible in the **women's collection**, which increasingly includes elements expressing **feminine, casual tailoring**.

The **new Fall/Winter 2023 collections** received very favourable comments from customers and industry insiders, who combined their appreciation for the latest designs with the reassurance of a line oriented towards **contemporary**, **casual** and **balanced elegance**. The offer of a recognisable and complete taste – the expression of a distinctive Italian lifestyle – remains the foundation and goal of our collections, which feature multiple carefully developed items that when combined represent a means to offer a true reinterpretation of an iconic or classic element.

Parallel to the definition of a look, there is a growing selection of special highly exclusive elements, the result of **unique craftsmanship** in terms of both expertise and creativity. For the **women's collection**, the **OPERA tops, made entirely by hand** – with needles or crochet – are joined by a special series that we have called "**Maglieria Couture**", the result of **sophisticated embroidery** that can create original effects and thus reinterpret the very concept of knitting. For the **men's collection**, in addition to the introduction of knitwear with a significant hand-knitted component, the special garments include **outerwear with a very high degree of craftsmanship**, produced in **very precious materials** such as vicuña, and the result of **new tailoring techniques** that enhance the value of knitwear on unusual elements such as down jackets.

The **Men's Fall/Winter 2023 Collection** focuses on the value of time and the ability to reawaken the charisma of classic elements through new interpretations and blends. The look is carefully balanced around a main garment, the centre of gravity that expresses the underlying style and at the same time benefits from the harmony of combinations. A tailored cashmere coat, a special knitted top, a suit in a precious fabric can be the main focus, which other items – trousers and accessories – balance in a contemporary key. All elements are always organised according to the search for a balance between garments, proportions and style. The selection of the finest fabrics, including special textures and micro-effects such as Donegal, chevron and broken rope, embody the search for new value through classic materials.

The notes of the **Fall/Winter 2023 Women's Collection** compose a dense rhythm, rich in melodies and fusions, with a distinctive sound balanced between timeless mood and contemporary appeal. The harmony based on clean lines, pure colours and compact fabrics that emerged in the 1990s creates ordered, seductive arrangements that support the fluid interweaving of melodies that produce the collection's style. The British manor motif introduces the warmest and most enveloping notes, tactile effects with high artisanal value, soft fleece surfaces and country flavour. The refrain that gives balance to the music is inspired by the mood of academic charm: regimental stripes and tailored micro-patterns, pleated miniskirts, tennis-style V-necks, ties, baseball caps and socks worn with loafers and heels. Folk echoes reinterpreted in a contemporary key and glamorous virtuosity in the spirit of jazz clubs add sophistication to the sound of the season.

The **importance of colour**, which has always been at the centre of the Brunello Cucinelli aesthetic, remains central in all the collections. The shades lend an authentic flavour to every look, representing an immediate trademark of the timeless style that inspires Brunello Cucinelli research. Very light, wintry tones, beiges and greys express a luxurious and subdued allure, and are able to gracefully refine the spirit of other shades or modulate refined tone-on-tone palettes.

The **Boys' and Girls' Collections** are a natural extension of Brunello Cucinelli's taste. They largely borrow the distinctive features and models from the Women's and Men's Collections in a **mini-me version**, but **also add a number of specific elements** that reinterpret Brunello Cucinelli's taste on a younger scale. The quality of the materials and workmanship is perfectly in line with the main collections, while the constructions and details meet the requirements of comfort, dynamism and ease of use ideal for children. Through the distinctive expression of the brand's contemporary style, the boys' and girls' collections aim to express the magic and wonder of children, for whom joy and living carefree are fundamental, to be harmonised with feelings of lightness, freedom and fun.

Launched last year, the **Eyewear Collection** is an expression of the Brand's distinctive characteristics: aesthetics in harmony with the style of the Men's and Women's collections and the search for the highest standards of materials and craftsmanship. With each new collection, important innovations are introduced in the materials and details, which underscore the distinctive features: the lightness of the frames, which corresponds to the pursuit of lightness in clothing, made possible in particular by the new titanium frames; the careful selection and development of colours in harmony with the brand's distinctive nuances; the refinement of elegant details, which constitute both an element of distinctiveness and exclusivity; and finally, as is the case with the Brunello Cucinelli collections, the very high level of craftsmanship of each frame, made with artisanal care by expert hands.

INVESTMENTS

The attention devoted to **commercial**, **digital**, **technological** and **production/logistics** investments not only supports the **healthy and sustainable growth** process we seek, but seeks to maintain the **contemporary** nature of our Casa di Moda, always in deep respect of its fundamental values.

With the desire to maintain **our brand image** and **desirability** at a **high level**, our major **multi-year investment project** continues, unaffected by the pandemic of the past two years.

In 2022, **investments** thus amounted to **€ 72.5 million**, plus the acquisition of a **43%** stake in the prestigious **Lanificio Cariaggi Cashmere**, the brand's long-standing cashmere supplier, whose purchase cost amounted to **€ 15.05 million**. The aim is to fully **strengthen and boost** the creation and production of knitwear, still a central element of the collections and the brand's distinctive trademark.

Investments in new boutiques and the renovation and expansion of existing boutiques (a total of 119 retail boutiques as at 31 December 2022) **remain of paramount importance**.

The constant focus on physical spaces corresponds to the desire to offer a high-value experience to all our customers, as invited guests in the brand's home. The presence of spaces that **fully express the philosophy of the brand and underscore the quality of the products** is a key factor in welcoming **new** customers and establishing deeper relationships with the customers we affectionately call the "**friends of the brand**".

Aside from brick-and-mortar spaces, **great attention is also being paid to the development of the digital world**, with investments aiming to keep the brand experience just as contemporary online as it is in the physical world, not to mention all the investments being made in production and logistics.

Indeed, the continuous modernisation of **our company**continued in 2022, **and work began on the redevelopment of the 8-hectare site on the outskirts of Solomeo**, which will allow the company's space to progressively expand to adequately accommodate the development of our factory in the years to come.

PREFACE

This Financial Report as at 31 December 2022 has been prepared pursuant to Italian Legislative Decree no. 58/1998 as amended, and the Issuers' Regulations issued by Consob. This Report was prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union.

SUMMARY DATA AS AT 31 DECEMBER 2022

The tables below show (i) the consolidated summary economic data as at 31 December 2022, compared with the corresponding previous year; (ii) consolidated financial statements reclassified by sources and applications at 31 December 2022 with comparative figures at 31 December 2021; and (iii) cash flows from operating activities, investing activities and financing activities, as well as the amount incurred for capital expenditures for the year ended 31 December 2022, with comparative figures for the year ended 31 December 2021.

Summary Consolidated Income Statement

(In thousands of euros)	31/12/2022	% of sales	31/12/2021	% of sales	Change	Change %
Revenue	919,708	100.0%	712,179	100.0%	207,529	+29.1%
EBITDA	266,357	29.0%	193,311	27.1%	73,046	+37.8%
EBITDA excluding IFRS 16	172,411	18.7%	110,013	15.4%	62,398	+56.7%
Operating profit	134,412	14.6%	77,036	10.8%	57,376	+74.5%
Income before taxes	123,967	13.5%	64,026	9.0%	59,941	+93.6%
Result of the year	87,205	9.5%	56,295	7.9%	30,910	+54.9%

Statement of financial position reclassified by sources and uses:

(In thousands of euros)	31/12/2022	31/12/2021	Change	Change %
Net working capital	140,786	142,162	(1,376)	-1.0%
Fixed assets	774,207	715,133	59,074	+8.3%
Other non-current assets/(liabilities)	47,499	34,864	12,635	+36.2%
Net invested capital	**962,492**	**892,159**	**70,333**	**+7.9%**
Net financial debt	7,147	23,029	(15,882)	-69.0%
Financial lease liabilities	562,369	546,730	15,639	+2.9%
Shareholders' equity	392,976	322,400	70,576	+21.9%
Sources of financing	**962,492**	**892,159**	**70,333**	**+7.9%**

Other summary data:

(In thousands of euros)	31/12/2022	31/12/2021	Change	Change %
Net cash flows generated/(used) by operating activities	215,937	208,176	7,761	+3.7%
Cash flows generated/(used) in investing activities	(81,541)	(58,353)	(23,188)	+39.7%
Cash generated/(used) in financing activities	(115,652)	(127,382)	11,730	-9.2%
Total cash flows	**18,744**	**22,441**	**(3,697)**	**-16.5%**
Total Investments	**87,537**	**61,602**	**25,935**	**+42.1%**

ALTERNATIVE PERFORMANCE INDICATORS

In order to allow for a better assessment of management performance, the Brunello Cucinelli Group uses some alternative performance indicators that are not identified as accounting measures under IFRS. These indicators are determined in accordance with the provisions of the Guidelines on Alternative Performance Indicators issued by ESMA/2015/1415 and adopted by CONSOB with Communication no. 92543 of 3 December 2015.

The definition of alternative performance indicators used in this Financial Report is as follows:

– **EBITDA**: this is represented by the *Operating Profit* before *Depreciation and Amortisation*.

– **EBITDA *excluding IFRS 16***: this is the *Operating Profit* calculated using the accounting principles in force prior to the introduction of IFRS 16, before *Depreciation and Amortisation* calculated using the accounting principles in force prior to the introduction of IFRS 16.

– **Net Working Capital**: is calculated as the sum of the *Inventories* and *Trade receivables* net of *Trade payables* and the balance (positive or negative) of all other balance sheet items classified as *Current assets* or *Current liabilities*.

– **Net Invested Capital**: this is the total of *Non-current assets* and *Current assets*, less *Non-current liabilities* and *Current liabilities*, excluding items of a financial nature that are included in the balance of Net financial debt (*Other current financial assets, Cash and cash equivalents, Current and non-current payables to banks, Current and non-current financial payables, Current lease liabilities and Non-current lease liabilities*).

– **Net Financial Indebtedness**: is calculated in accordance with Consob Reminder no. 51/21 of 29 April 2021.

– **Investments**: refer to gross increases in Intangible Assets (including Key Money), in Tangible Assets, in Real Estate and net increases in Non-current Financial Assets.

SEASONALITY OF SALES

While not subject to significant seasonal or cyclical changes in total annual sales, during the various quarters of the year, the Group's activities suffer from a lack of perfect uniformity in the flow of revenues and costs deriving mainly from its businesses.

Furthermore, the luxury market which the Group operates in is characterised at the level of sales channels by seasonal factors that have an impact on economic results.

First of all, seasonality is linked to the sales methods of wholesale distribution channels, which result in greater revenues in the first and third quarters of each financial year. In fact, shipments determine greater sales in the months of January-March for the Spring/Summer collection and in the months of July-September for the Fall/Winter collection, although international customers usually require shipments of the latter during the second quarter as well.

With regard to the retail channel, Group sales saw a concentration of revenues mainly in the last quarter of each year, a period characterised by the sale of those products having the highest unit value.

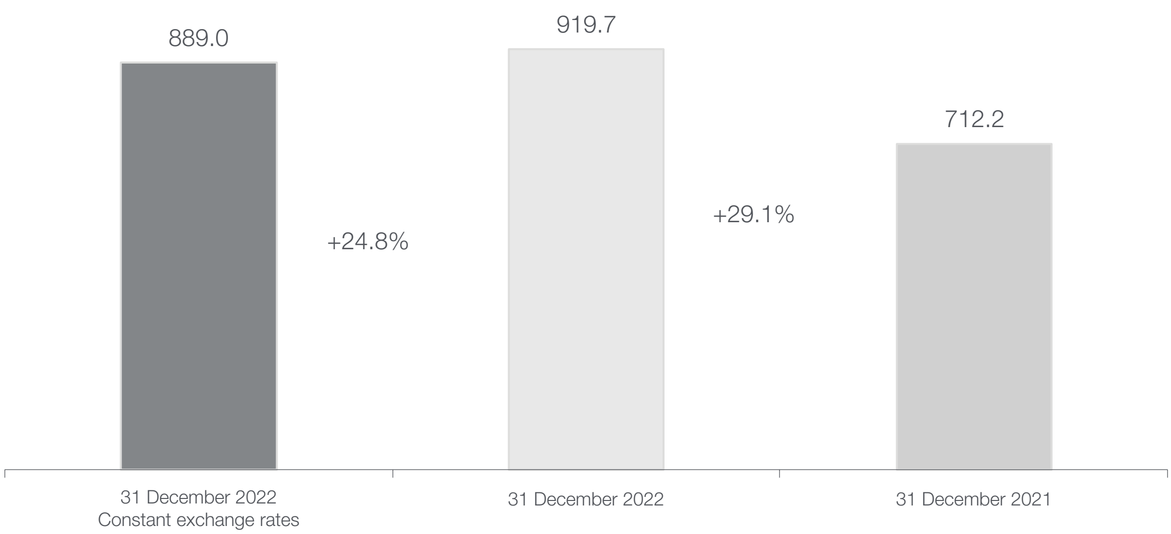
Consequently, it is evident that the Group's interim results may not contribute uniformly to the formation of the economic and financial results for each year.

THE GROUP'S RESULTS FOR THE YEAR 2022

ANALYSIS OF REVENUES

The Group's consolidated turnover for the year 2022 amounted to € 919,708 thousand, an increase of +29.1% over the year 2021. At constant exchange rates, meaning using the same average exchange rates as those used in 2021, revenues would have been € 889,049 thousand, equal to +24.8%.

The excellent performance of 2022 confirms the very favourable trend of the last 12 months.



REVENUES BY GEOGRAPHICAL AREA

In 2022, the Brunello Cucinelli Group showed significant growth in all international markets, which accounted for 88.9% of revenues, and where overall increases of +30.1% were recorded compared to the figures for the previous year. The Italian market also reported an interesting increase in revenues, equal to +22.0%, showing healthy and sustainable results.

Revenues by geographic area as at 31 December 2022 compared with 31 December 2021 are presented below:

(In thousands of euros)	Year ended 31 December					
	2022	% of sales	2021	% of sales	Change	Change %
Europe	263,814	28.7%	219,150	30.8%	44,664	+20.4%
Italy	102,753	11.1%	84,223	11.8%	18,530	+22.0%
Americas	334,693	36.4%	238,238	33.4%	96,455	+40.5%
Asia	218,448	23.8%	170,568	24.0%	47,880	+28.1%
Total	**919,708**	**100.0%**	**712,179**	**100.0%**	**207,529**	**+29.1%**

The following is an analysis of the increase in revenues by geographical area:

Europe
In the European market, revenues amounted to € 263,814 thousand, an increase of 20.4% compared to 2021, accounting for 28.7%.

We are extremely pleased with the **beautiful results** of the European market, which testify to the great strength of demand in all geographic areas and countries, with growth well distributed between **large capital cities** and **smaller towns**.

The sales dynamic benefited structurally from purchases by **local customers** and **mobility on a regional basis**, which was supplemented **in the summer** by the return of **international tourism**, especially from the North American region.

Finally, we think that the significant growth is also the result of our year-round efforts to breathe life into our **direct boutiques** and those of our **multibrand partners** through small events that have met the great desire of many customers to return to physical shops.

At 31 December 2022, the monobrand network (direct and wholesale monobrand) consisted of 45 boutiques.

Italy
In Italy, turnover amounted to € 102,753 thousand, up 22.0% compared to the first half of 2021, accounting for 11.1%.

We believe that the result achieved in Italy can be considered **splendid**. The growth of the **direct shops** throughout the year was **very good**, and equally **decisive** was the **contribution of the multibrand partners**, who clearly returned to investing confidently in their businesses.

Finally, we believe that last September's **Milan Fashion Week** marked a very special moment, also on a symbolic level. In a way, it was a celebration of the recovery and renewed sociability, in the pursuit of being well-dressed.

At 31 December 2022, the monobrand network (direct and wholesale monobrand) consisted of 14 boutiques.

Americas
the American market recorded a turnover of € 334,693 thousand, an increase of 40.5% compared to last year, with a sales impact of 36.4%.

The American market fully **confirmed** all the **significant results** and dynamics of the previous months: **demand** for high luxury has not only increased but has fully confirmed those "structural" characteristics that have contributed to the marvellous growth achieved, and we believe will contribute to the further growth we expect in the coming years.

This trend, boosted by a number of shop openings and boutique expansions, is very gratifying, not only in terms of direct sales but also because of the growing esteem the brand seems to be held in.

The wholesale channel did very well thanks to our consolidated presence in luxury Department Stores and prestigious Specialty Stores, also benefiting from a higher demand for luxury goods than supply, as we noted before.

At 31 December 2022, the monobrand network (direct and wholesale monobrand) consisted of 38 boutiques.

ASIA
In the Asian market, revenues amounted to € 218,448 thousand, an increase of 28.1% compared to 2021, accounting for 23.8% of sales.

We are pleased with the **sharp increases** reported in the **Asian markets**, which continue to represent a **very high potential** for our Casa di Moda within the project of sustainable growth in the medium to long term.

We attach **great value** to the **double-digit growth** achieved in **China**, as well as the **revenue growth** we were able to achieve **in all quarters of 2022**.

We believe that the value of this result is not only related to the quantitative contribution to sales, but testifies to the **growing appeal of our brand in China**, with a **very interesting future value**.

We think that **the relevance of the no-logo** and **Ready-to-Wear line** is definitely increasing in China, and we are delighted to see an **increasing number of customers** coming into our shops looking for both **special garments** and slightly more **everyday** clothing.

We also note in China an increasingly **pronounced focus** on the idea of **Humanistic Capitalism** and the values of **Human Sustainability**, **gracious growth** and the search for the **right balance** between **profit and giving**. We imagine that the very concept of **living in harmony**, which inspires us to radically rethink humanity's relationship with nature, may in fact find some commonality with **Confucian thought**, emphasising a contemporary dialogue between peoples.

Japan made an **excellent contribution** to the final result, as did **South Korea** and the **Middle East**, which accelerated their relative growth.

At 31 December 2022, the monobrand network (direct and wholesale monobrand) consisted of 52 boutiques.

REVENUES BY DISTRIBUTION CHANNEL

The following table sets out the revenues earned by the Group in 2022 and 2021, analysed by distribution channel:

(In thousands of euros)	Year ended 31 December					
	2022	**% of sales**	**2021**	**% of sales**	**Change**	**Change %**
Retail	573,320	62.3%	419,817	58.9%	153,503	+36.6%
Wholesale	346,388	37.7%	292,362	41.1%	54,026	+18.5%
Total	**919,708**	**100.0%**	**712,179**	**100.0%**	**207,529**	**+29.1%**

RETAIL

The retail channel grew by 36.6% compared to 2021, with the relative percentage impact on sales rising to 62.3% compared to 58.9% in 2021.

The very important increase in sales is driven by **like-for-like growth**, with very good **sell-outs** in both the **Spring/Summer** and **Fall/Winter 2022** collections.

The **contribution of the new spaces to our growth** was significant, which took the form of **prestigious flagship and boutique openings, and expansions**, with a basis for comparison that became progressively more uniform over the course of the year in view of the timing of network development, which has been particularly significant in recent months.

The number of **retail boutiques** was 119 as at 31 December 2022 compared to 114 last year, with 42 **hard shops**, unchanged from 31 December 2021.

WHOLESALE

The wholesale channel grew by 18.5% compared to 2021, accounting for 37.7% of sales.

The wholesale channel showed **wonderful growth** in 2022, underscoring its **strategic importance** for our brand and **"contemporary" apparel range**.

The results achieved have certainly benefited from the need of our partners to meet **strong end-customer demand**, requiring fast delivery times that we think we have been able to meet.

The **Spring/Summer and Fall/Winter collections** reported **excellent** results, with **important sell-outs**, and we believe that the results achieved in both the wholesale and retail channels contribute to the strength and allure that seem to be associated with our brand.

REVENUES BY PRODUCT LINE AND END CUSTOMER

The following is a presentation of the Brunello Cucinelli Group's revenues at 31 December 2022 and 31 December 2021, analysed by type of end customer and by product line:

	31 December 2022	31 December 2021
Men (%)	44.0%	39.8%
Women (%)	56.0%	60.2%
	100.0%	**100.0%**

	31 December 2022	31 December 2021
Apparel (%)	84.4%	84.1%
Accessories (%)	15.6%	15.9%
	100.0%	**100.0%**

ANALYSIS OF THE INCOME STATEMENT

The following table provides a summary of the financial data as at 31 December 2022 and 31 December 2021.

(In thousands of euros)	Year ended 31 December					
	2022	% of sales	2021	% of sales	Change	Change %
Revenues	**919,708**	**100.0%**	**712,179**	**100.0%**	**207,529**	**+29.1%**
Costs for raw materials and consumables	(95,537)	-10.4%	(113,610)	-16.0%	18,073	-15.9%
Cost of services	(372,224)	-40.5%	(271,084)	-38.1%	(101,140)	+37.3%
Personnel costs	(164,713)	-17.9%	(132,948)	-18.7%	(31,765)	+23.9%
Other operating (costs)/revenues	(20,877)	-2.3%	(1,226)	-0.2%	(19,651)	>+100%
EBITDA	**266,357**	**29.0%**	**193,311**	**27.1%**	**73,046**	**+37.8%**
Amortisation and depreciation	(131,945)	-14.3%	(116,275)	-16.3%	(15,670)	+13.5%
Operating profit	**134,412**	**14.6%**	**77,036**	**10.8%**	**57,376**	**+74.5%**
Net financial income/(charges) and from equity investments	(10,445)	-1.1%	(13,010)	-1.8%	2,565	-19.7%
Income before taxes	**123,967**	**13.5%**	**64,026**	**9.0%**	**59,941**	**+93.6%**
Taxes	(36,762)	-4.0%	(7,731)	-1.1%	(29,031)	>+100%
Result of the year	**87,205**	**9.5%**	**56,295**	**7.9%**	**30,910**	**+54.9%**
EBITDA excluding IFRS 16	172,411	18.7%	110,013	15.4%	62,398	+56.7%

EBITDA AND RESULTS

As at 31 December 2022:

- **EBITDA** amounted to € 266,357 thousand, equal to **29.0%** of Revenues (€ 193,311 thousand at 31 December 2021 equal to 27.1% of Revenues).

- EBITDA **excluding IFRS 16** amounted to € 172,411 thousand, equal to **18.7%** of Revenues (€ 110,013 thousand at 31 December 2021, equal to 15.4% of Revenues).

Below is the reconciliation of **EBITDA** as at 31 December 2022, highlighting the accounting effects relating to the application of IFRS 16, equal to € 95,013 thousand related to the item "Lease expense" and equal to € 1,067 thousand related to the item "Other operating (costs)/revenues":

(In thousands of euros)

EBITDA as at 31 December 2022	IFRS 16 effect: Cost for leases	IFRS 16 effect: Other operating (costs)/revenues	EBITDA excl. IFRS16 as at 31 December 2022
266,357	(95,013)	1,067	**172,411**

- The **Operating Result** amounted to € 134,412 thousand, equal to **14.6%** of Revenues (€ 77,036 thousand at 31 December 2021, equal to 10.8% of Revenues).

- The **Pre-tax result** amounted to € 123,967 thousand, equal to **13.5%** of Revenues (€ 64,026 thousand at 31 December 2021, equal to 9.0% of Revenues).

- The **Result for the year** amounted to € 87,205 thousand, equal to **9.5%** of Revenues (€ 56,295 thousand at 31 December 2021, equal to 7.9% of Revenues).

OPERATING COSTS

The percentage of **production costs** (cost for raw materials and consumables and cost for outsourced work) dropped to 28.5% at 31 December 2022 compared to 32.7% at 31 December 2021.

(In thousands of euros)	Year ended 31 December					
	2022	% of sales	2021	% of sales	Change	Change %
Costs for raw materials and consumables	137,583	15.0%	95,969	13.5%	41,614	+43.4%
Change in inventories	(42,046)	-4.6%	17,641	2.5%	(59,687)	>-100%
Outsourced work	166,192	18.1%	119,606	16.8%	46,586	+38.9%
Total	**261,729**	**28.5%**	**233,216**	**32.7%**	**28,513**	**+12.2%**

As a result, our first margin as at 31 December 2022 was 71.5% compared to 67.3% as at 31 December 2021, due in particular to the evolution of our sales mix (Channels, Areas and Products) and the dynamics of the euro's exchange rate against other currencies.

Concurrent with the evolution of the network, the development of new commercial initiatives and the consolidation of operations, operating costs are gradually increasing, also impacted by dynamics of the exchange rate.

Personnel costs as a percentage of revenue at 31 December 2022 amounted to 17.9%, down from 18.7% at 31 December 2021.
Payroll costs at 31 December 2022 amounted to € 164,713 thousand, an increase in value as compared to the figure for the previous year of € 31,765 thousand.

(In thousands of euros)	Year ended 31 December					
	2022	**% of sales**	**2021**	**% of sales**	**Change**	**Change %**
Personnel costs	164,713	17.9%	132,948	18.7%	31,765	+23.9%

The dynamics of personnel costs also reflect the development of our human resource structure. The FTE (Full Time Equivalent) figure was 2,308.3 at 31 December 2022 compared to 2,160.1 at 31 December 2021 (+148.2) broken down as follows:

	Year ended 31 December		**Change**
	2022	**2021**	
Executives and managers	82.6	75.0	7.6
Office and sales staff	1,624.7	1,543.3	81.4
Blue-collar workers	601.0	541.8	59.2
Total workforce	**2,308.3**	**2,160.1**	**148.2**

The following table provides a summary of the main income statement items for 2022 and 2021 as they relate to Revenues:

(In thousands of euros)	Year ended 31 December					
	2022	**% of sales**	**2021**	**% of sales**	**Change**	**Change %**
Lease expense	38,561	4.2%	30,562	4.3%	7,999	+26.2%
Advertising and other marketing costs	52,201	5.7%	36,058	5.1%	16,143	+44.8%
Transport and duties	42,697	4.6%	29,115	4.1%	13,582	+46.6%
Commissions and accessory charges	7,244	0.8%	7,810	1.1%	(566)	-7.2%
Credit card charges	11,975	1.3%	7,977	1.1%	3,998	+50.1%

Below is a brief commentary on the dynamics that characterised the operating costs described above:

- **Lease expense** amounted to € 38,561 thousand at 31 December 2022 compared to € 30,562 thousand at 31 December 2021.
  This item mainly refers to lease contracts with variable consideration (and as such not included in the scope of IFRS 16).
  Note that the lease expense relating to leases included in the scope of IFRS 16 amounted to € 95,013 thousand compared to € 84,690 thousand as at 31 December 2021. Therefore, excluding the aforementioned effects, the balance of the lease expense at 31 December 2022 amounted to € 133,574 thousand (equal to 14.5% of Revenues) compared to € 115,252 thousand in 2021 (or 16.2% of Revenues). The increase is related to new openings and significant extensions of some of the existing areas, and new spaces dedicated to hospitality. These include the presence of small bars of various sizes and bookcases in the boutiques, and the "Casa Cucinelli" spaces, meeting places for customers, partners, journalists, analysts and investors, where we try to give full expression to our idea of lifestyle.

- **Advertising and other marketing costs** of € 52,201 thousand (5.7% of Revenues) as at 31 December 2022 compared to € 36,058 thousand (5.1% of Revenues) as at 31 December 2021.
  The increase of € 16,143 thousand is mainly attributable to events and hospitality of customers in the boutiques, in the Casa Cucinelli spaces and for visits to our village of Solomeo.

- **Transport and Duties** amounted to € 42,697 thousand at 31 December 2022 (4.6% of Revenues) compared to € 29,115 thousand at 31 December 2021 (4.1% of Revenues).
  The increase in Transport and Duties as a percentage of turnover is also attributable to the increase in tariffs applied by international carriers as a consequence of the critical international situation (pandemic and conflict in Ukraine). However, this increase was contained thanks to some process optimisations implemented by the Group.

- **Commissions and ancillary charges** amounted to € 7,244 thousand at 31 December 2022 compared to € 7,810 thousand at 31 December 2021.
  The decrease was due to the internalisation of management for some sales areas through the expansion of direct staff.

- **Credit card charges** of € 11,975 thousand (1.3% of Revenues) as at 31 December 2022 compared to € 7,977 thousand (1.1% of Revenues) as at 31 December 2021. The increase in the item Credit card charges as a percentage of turnover is proportional to the increase in sales.

With regard to the remaining income statement items, the following aspects are noted:

- Other items included in "Costs for services" amounted to a total of € 53,354 thousand as at 31 December 2022 compared to a value of € 39,956 thousand as at 31 December 2021.
  The increase of € 13,398 thousand (+33.5% compared to the previous year) is partly due to the impact of exchange rate dynamics (weakening of the euro against other currencies), on costs incurred abroad and partly due to structural phenomena: the growth of the spaces where operations are carried out with increasing maintenance and safety costs, the significant growth in costs inherent to the development of digital operations, and the significant post-pandemic restart of international travel of all our people for development, creativity and management activities.

– "Other operating (costs)/revenues" had a negative balance of € 20,877 thousand as at 31 December 2022. The item mainly includes the full write-down of goodwill allocated to the CGU OOO Brunello Cucinelli RUS for € 7,045 thousand recognised in these financial statements following the results of the impairment test, taxes and duties not on income for € 5,928 thousand and social and charitable expenses for € 1,777 thousand.

AMORTISATION, DEPRECIATION, NET FINANCIAL EXPENSE, TAXATION AND NET PROFIT

Amortisation and depreciation at 31 December 2022 amounted to € 131,945 thousand, up € 15,670 thousand compared to € 116,275 thousand in 2021, mainly due to new leases.

Amortisation of Rights of Use amounted to € 91,002 thousand, including amortisation of key money of € 5,127 thousand. At 31 December 2021, amortisation and depreciation amounted to € 81,320 thousand, of which € 5,411 thousand relating to key money.

Excluding the effects of the application of IFRS 16 on lease contracts, amortisation and depreciation amounted to € 46,352 thousand (5.0% of Revenues), compared to € 40,615 thousand (5.7% of Revenues) in 2021.

For details of the investments in 2022, see the following section "Investments" in this Board of Directors' Report on Operations.

Net financial expense at 31 December 2022 amounted to € 10,445 thousand compared to € 13,010 thousand in 2021, down € 2,565 thousand.

Referring also to the Notes to the financial statements for a separate statement of financial income and expense and for further details, the following table shows the result of financial management, detailing both the breakdown of financial income and expense of ordinary management (therefore related to loans and the management of bank accounts, both income and expenses) and the effect of the application of IFRS 16, currency exchange rates, the fair value of derivative contracts and financial effects deriving from the valuation of company assets, as well as the effect of valuation of equity investments in associate companies.

(In thousands of euros)	Year ended 31 December					
	2022	**% of sales**	**2021**	**% of sales**	**Change**	**Change %**
Loan interest expense	860	0.1%	800	0.1%	60	+7.5%
Other net (income)/expense	2,479	0.3%	858	0.1%	1,621	>+100%
Financial charges/(income) from ordinary operations	**3,339**	**0.4%**	**1,658**	**0.2%**	**1,681**	**>+100%**
Lease financial charges/(income)	11,702	1.3%	10,560	1.5%	1,142	+10.8%
Foreign exchange losses/(gains) on leases	(2,320)	-0.3%	(1,110)	-0.2%	(1,210)	>+100%
Financial charges/(income) from lease operations	**9,382**	**1.0%**	**9,450**	**1.3%**	**(68)**	**-0.7%**
Foreign exchange losses/(gains)	(1,675)	-0.2%	539	0.1%	(2,214)	>-100%
Effect of the valuation of investments using the equity method	(6,716)	-0.7%	-	0.0%	(6,716)	+100.0%
Miscellaneous financial charges/(income)	-	0.0%	(782)	-0.1%	782	-100.0%
Financial charges/(income) for adjustment to the fair value of derivatives	6,115	0.6%	2,145	0.3%	3,970	>+100%
Total net financial expense	**10,445**	**1.1%**	**13,010**	**1.8%**	**(2,565)**	**-19.7%**

At 31 December 2022, the financial charges from ordinary operations amounted to € 3,339 thousand compared to € 1,658 thousand for the previous year, with a percentage impact of 0.4% compared to 0.2% in the previous year, even with the marked increase in interest rates.
Interest expense on loans in 2022 was substantially stable compared to 2021 (€ 860 thousand compared to € 800 thousand in the previous year).

With regard to the application of the IFRS 16 accounting standard, there was essentially no change in financial charges relating to leases, which at 31 December 2022 amounted to a total of € 9,382 thousand compared to € 9,450 thousand at 31 December 2021.

With regard to the result of foreign exchange management, a net positive value of Foreign exchange gains of € 1,675 thousand was recorded compared to a negative value of Foreign exchange losses of € 539 thousand as of 31 December 2021. This item includes realised and unrealised exchange rate gains and losses due to the fluctuations of the euro against the currencies the Group operates with. However, the effect of these fluctuations tends to normalise over the course of a full year, reducing the impact of this item on the income statement.

The balance of the item Effect of the valuation of investments using the equity method refers to the equity investment in the company Lanificio Cariaggi S.p.A. equal to 43% of the share capital acquired during the year under review and valued on the basis of the approved financial statements as at 31 December 2022, appropriately adjusted to conform to Group accounting principles.

Lastly, we note the impact of charges deriving from interest rate and exchange rate hedging transactions, amounting to € 6,115 thousand in the year 2022 compared to € 2,145 thousand in the previous year. These are mainly financial expenses determined by the fair value adjustment of exchange rate derivatives, the valuation of which is also influenced by short- and medium-term expectations expressed by the exchange rate curves used, and therefore by their nature subject to fluctuations between individual years.

In light of the above, **Pre-tax income** at 31 December 2022 amounted to € 123,967 thousand, an increase compared to the result recorded at 31 December 2021 (€ 64,026 thousand).

Net profit for the year amounted to € 87,205 thousand, an increase of 54.9% over the previous year.

The breakdown of the Net result between the Group's share and that of Minority interests compared to the figure for the previous year is as follows:

(In thousands of euros)	31 December 2022	31 December 2021
Net profit of the Group	80,599	53,322
Net profit of Minority Interests	6,606	2,973
Result of the year	**87,205**	**56,295**

ANALYSIS OF BALANCE SHEET AND FINANCIAL ITEMS

Provided below are comments on the main items of the Group's statement of financial position at 31 December 2022 reclassified by sources and applications, with comparative figures at 31 December 2021.

NET WORKING CAPITAL

The following table provides an analysis of the net working capital of the Brunello Cucinelli Group at 31 December 2022 and at 31 December 2021:

(In thousands of euros)	31 December 2022	31 December 2021
Trade receivables	76,608	72,809
Inventories	242,844	199,266
Trade payables	(137,040)	(102,654)
Other net current assets/(liabilities)	(41,626)	(27,259)
Net working capital	**140,786**	**142,162**

There was a decrease of € 1,376 thousand in net working capital at 31 December 2022 compared to the figure at 31 December 2021.

– **Trade receivables** up compared to the situation as at 31 December 2021 for an amount of € 3,799 thousand.
  In the presence of a significant increase in turnover as at 31 December 2022, with the growth of the wholesale channel increasing by 18.5%, the substantial stability of the balance of the value of receivables testifies to an extremely healthy situation.
  We consider our receivables to be sound and payable without particular problems, and have prudently set aside a provision for write-downs of € 836 thousand, in the year recording very few losses on receivables in the income statement and use of the provision (a total of € 857 thousand, equal to 0.09% of Revenues). As at 31 December 2022, the provision for bad debts therefore amounted to € 3,586 thousand, an amount that we consider appropriate in order to bring the value of receivables back to their estimated realisable value.

– the value of **Inventories** amounted to € 242,844 thousand, which increased compared to the balance at 31 December 2021 by € 43,578 thousand. The organic growth of the business with respect to end of the previous year refers both to the growth of the wholesale channel, and especially to the growth of the retail channel with five new directly operated boutiques in addition to major expansions.
As at 31 December 2022, Inventories accounted for 26.4% of sales, whereas they amounted to 28.0% as at 31 December 2021. The excellent sales performance achieved in H2 2022, which exceeded expectations, led to a momentary and extraordinary effect of reducing the impact of the value of Inventories on turnover compared to our usual standard.

The following table breaks down the Inventories of the Brunello Cucinelli Group at 31 December 2022 and at 31 December 2021:

(In thousands of euros)	31 December 2022	31 December 2021
Raw materials	47,899	36.923
Finished and semi-finished goods	238,431	193.963
Inventory write-down provision	(43,486)	(31.620)
Inventories	**242,844**	**199.266**

– **Trade payables** up compared to the situation as at 31 December 2021 for an amount of € 34,386 thousand.
It should also be noted that during 2022 the Group did not change the timing of payments to its suppliers, contractors and consultants. The change is mainly due to the purchase of raw materials and external production in the second half of 2022, which increased by € 39,642 thousand compared to the same period of the previous year to support the excellent performance of the Spring/Summer 2023 collection sales campaign and the significant start of production for the Fall/Winter 2023 campaign.

– **Other net current assets/(liabilities)**, which at 31 December 2022 amounted to € 41,626 thousand, compared to € 27,259 thousand at 31 December 2021. The changes are mainly attributable to the balances of tax receivables and payables and the fair value of derivative instruments hedging currency risk. For further details, please refer to the comments in the explanatory notes to this Board of Directors' Report on Operations.

FIXED ASSETS AND OTHER NON-CURRENT ASSETS/(LIABILITIES)

The following table provides an analysis of Fixed assets and other non-current assets/liabilities at 31 December 2022 and at 31 December 2021:

(In thousands of euros)	31 December 2022	31 December 2021
Intangible fixed assets	13,970	20,115
Right-of-use	520,066	504,968
Property, plant and equipment	188,692	166,033
Non-current financial assets for leases	5,633	3,886
Other non-current financial assets	38,623	13,538
Investments in non-current financial assets	7,223	6,593
Other net non-current assets/(liabilities)	47,499	34,864
Fixed assets and other net non-current assets/liabilities	**821,706**	**749,997**

Net fixed assets and other non-current assets/(liabilities) amounted to € 821,706 thousand at 31 December 2022 compared to € 749,997 thousand at 31 December 2021, representing a net increase of € 71,709 thousand or 9.6%.

For details on the changes in the individual items shown in the table during the year, see the Notes to the Financial Statements.

The main changes are noted here:

– Increase in "Right-of-use", up € 15,098 thousand compared to 31 December 2021, amounting to € 520,066 thousand at 31 December 2022 due to the expansion of the retail network.
  Note that this item represents the right to use the assets underlying the respective leases and key money considered initial direct costs of the lease arrangement.

– Increase in "Property, plant and equipment", up € 22,659 thousand compared to 31 December 2021, amounting to € 188,692 thousand at 31 December 2022. The main increases are due to works related to the openings and expansion of both direct and wholesale stores and improvements to existing boutiques and showrooms throughout the world, as well as expansions and renovations carried out at the industrial hub.

– Increase in the balance of the item "Other non-current financial assets", up € 25,085 thousand from 31 December 2021. For more details, see the following section on Investments in this Report.

– Increase of € 12,635 thousand compared to 31 December 2021 under "Other net non-current assets/(liabilities)", mainly attributable to the recognition of receivables for deferred tax assets.

INVESTMENTS

During 2022, the Group made investments in intangible fixed assets amounting to € 12,901 thousand, in property, plant and equipment amounting to € 55,470 thousand, in investment property amounting to € 910 thousand, while the net balance of non-current financial assets (security deposits) amounted to € 3,206 thousand.

The following table shows the investments made by type and category made by the Group at 31 December 2022 and at 31 December 2021:

(In thousands of euros)	**31 December 2022**	**31 December 2021**
Investments in Intangible fixed assets(*)	12,901	15,118
Investments in Property, plant and equipment	55,470	43,031
Investments in Other non-current financial assets(**)	3,206	981
Investment property	910	2,472
Total Investments	**72,487**	**61,602**
Investments in Equity Investments with associate companies	15,050	-
Total Investments, including Investments in Equity Investments in associate companies	**87,537**	**61,602**

(*) This item also includes investments for key money paid, which as of 1 January 2019 are classified under the item "Right-of-use" in accordance with IFRS 16.
(**) Other net non-current financial assets (balance of payments made net of repayments received).

As shown in the table, investments in 2022 amounted to € 87,537 thousand.

Net of Investments in Equity Investments in associate companies, total Investments amounted to € 72.5 million, up compared to € 61.6 million in 2021. Of these, € 46.6 million is attributable to commercial investments, € 25.0 million to investments in production, logistics and IT/Digital, and € 0.9 million to investment property.

Following are the investments made by the Group as at 31 December 2022 and at 31 December 2021, broken down by type as described above:

(In thousands of euros)	**31 December 2022**	**31 December 2021**
Commercial Investments	46,545	45,888
Investments in production and logistics	15,812	4,829
Investments in IT/Digital	9,220	8,413
Investment property	910	2,472
Total Investments	**72,487**	**61,602**
Investments in Equity Investments with associate companies	15,050	-
Total Investments, including Investments in Equity Investments in associate companies	**87,537**	**61,602**

Commercial investments of € 46,545 thousand support selected openings and some major expansions of prestigious bouquets, contributing to the growth of sales areas in the network of monobrand stores, dedicated spaces in Luxury Department Stores and the renewal and expansion of our showrooms, in addition to supporting development initiatives in multibrand stores.
Investments of a commercial nature destined for the construction and expansion of the meeting spaces and full expression of our idea of lifestyle called "Casa Cucinelli" amounted to € 2,182 thousand.

Investments in production and logistics of € 15,812 thousand support the top-quality craftsmanship of our products thanks to the constant renewal of production equipment which is constantly kept up-to-date by combining innovation in processes with superb handiwork, and makes suitable logistical structures available for managing the related activities.
These investments in technical fixed assets include the purchase of a large area on the outskirts of Solomeo where the strategic expansion of our production site will take place.

The investments in IT and Digital (also with specific platforms in evolving markets) are assuming increasing importance and at 31 December 2022 amounted to € 9,220 thousand.

Investment property relates to property complexes as well as building land in Solomeo being managed with the aim of being restored and subsequently leased, an activity that began in H1 2021.

Equity investments with affiliated companies amounting to € 15.05 million refer to the purchase of 43% of the share capital of Cariaggi Lanificio S.p.A.

NET FINANCIAL DEBT

The Net Financial Indebtedness required by Consob Reminder no. 5/21 of 29 April 2021 "Compliance with ESMA Guidelines on disclosure obligations pursuant to the prospectus regulation" is as follows:

(In thousands of euros)	**31 December 2022**	**31 December 2021**
A. Cash and cash equivalents	(117,400)	(98,003)
B. Means equivalent to cash and cash equivalents	-	-
C.1. Other current financial assets, interest rate financial derivative asset instruments - effective hedge	(108)	(80)
C.2. Other current financial liabilities for leases	(2,628)	(2,633)
D. Cash and cash equivalents (A+B+C)	**(120,136)**	**(100,716)**
E.1. Current financial debt	45,854	10,934
E.2. Current financial debt for leases	90,066	79,610
F. Current portion of non-current financial debt	31,164	35,324
G. Current financial debt (E+F)	**167,084**	**125,868**
H. Net current financial debt (G+D)	**46,948**	**25,152**
I.1. Non-current financial debt	47,637	74,854
I.2. Non-current financial debt for leases	474,931	469,753
J. Debt instruments	-	-
K. Trade payables and other non-current payables	-	-
L. Non-current financial debt (I+J+K)	**522,568**	**544,607**
M. Total financial debt (H+L)	**569,516**	**569,759**
of which:		
Net financial debt for the core business	*7,147*	*23,029*
Payables for leases	*562,369*	*546,730*

At 31 December 2022, the financial debt of the Brunello Cucinelli Group amounted to € 569,516 thousand, of which € 562,369 thousand related to debt generated by the accounting of lease contracts pursuant to IFRS 16.
At 31 December 2021, financial debt amounted to € 569,759 thousand (of which € 546,730 thousand related to leases).

Excluding the balances attributable to the application of IFRS 16, Financial debt at 31 December 2022 amounted to € 7,147 thousand, a marked improvement compared to € 23,029 thousand at 31 December 2021 thanks to the positive economic result for the year and the positive management of net working capital, despite the presence of the important investment plan of € 87.5 million.

These dynamics led to the repayment of medium-/long-term loans for a total of € 36,501 thousand according to ordinary repayment plans, against new disbursements received during the year for € 5,000 thousand.
Note that item "I.1 Non-current financial debt" also includes the debt for loans to minority shareholders in subsidiaries (amounting to € 1,251 thousand).

SHAREHOLDERS' EQUITY

The following table provides details of Shareholders' equity at 31 December 2022 and at 31 December 2021:

(In thousands of euros)	**31 December 2022**	**31 December 2021**
Share Capital	13,600	13,600
Reserves	288,344	249,219
Net profit of the Group	80,599	53,322
Group Shareholders' Equity	**382,543**	**316,141**
Minority Shareholders' Equity	10,433	6,259
Shareholders' Equity	**392,976**	**322,400**

The Share capital of the Parent Company at 31 December 2022 amounted to € 13,600 thousand, fully paid-up, consisting of 68,000,000 ordinary shares.

The shareholding structure of Brunello Cucinelli S.p.A. at 31 December 2022, as compiled from the communications sent to the Company and Consob and from other communications to the market, is set out below:

Shareholder	**% of ordinary capital**
Foro delle Arti S.r.l. (formerly Fedone S.r.l.)	50.05%
FMR LLC	9.48%
Invesco	4.16%
Other shareholders	36.31%
Total	**100.00%**

A description of changes in Shareholders' equity can be found in the specific schedule of the financial statements and in Note 15.

RECONCILIATION BETWEEN SHAREHOLDERS' EQUITY AND NET PROFIT OF THE PARENT COMPANY AND CONSOLIDATED SHAREHOLDERS' EQUITY AND NET PROFIT

The following is a reconciliation of the Shareholders' equity and Net profit of the Parent Company and consolidated Shareholders' equity and Net profit for the year as at 31 December 2022 and as at 31 December 2021:

(In thousands of euros)	31 December 2022		31 December 2021	
	Shareholders' Equity	Net profit	Shareholders' Equity	Net profit
Financial statements of the Parent Company	**454,674**	**99,840**	**368,304**	**60,980**
Difference between shareholders' equity of consolidated companies and the book value of the equity investments	3,742	7,366	(5,767)	5,682
Elimination of the effects of intercompany transactions	(95,244)	(32,660)	(63,825)	(8,466)
Elimination of dividends	-	(1,548)	-	-
Net investments in foreign operations	-	3,113	-	(4,035)
Tax effects of consolidation adjustments	26,545	7,622	18,923	3,590
Other	(7,174)	(3,134)	(1,494)	(4,429)
Group total	**382,543**	**80,599**	**316,141**	**53,322**
Minority shareholders' equity and result	10,433	6,606	6,259	2,973
Total consolidated financial statements	**392,976**	**87,205**	**322,400**	**56,295**

INFORMATION ON CORPORATE GOVERNANCE

Pursuant to Article 123-*bis* of the Consolidated Finance Law (TUF), the Company is required to prepare an annual report on corporate governance and ownership structures containing a general description of the governance system adopted by the Brunello Cucinelli Group and its ownership structure, including the main governance practices applied and the characteristics of its risk management and internal control system in relation to its financial reporting process.

This Report, approved by the Board of Directors at its meeting of 15 March 2023, may be consulted in the Governance section of the Company's website at **www.brunellocucinelli.it**.

INFORMATION ON THE CONSOLIDATED NON-FINANCIAL STATEMENT

In accordance with the provisions of Article 5, subsection 3, letter b) of Italian Legislative Decree no. 254/2016, the Brunello Cucinelli Group has prepared a consolidated non-financial report which constitutes a separate report. The 2022 consolidated non-financial report, prepared in accordance with the "GRI Standards", is available on the Company's website at **www.brunellocucinelli.it**.

PERFORMANCE OF THE COMPANY'S SHARE LISTED ON THE BORSA ITALIANA S.P.A. ELECTRONIC STOCK EXCHANGE (MTA)

On 30 December 2022, the final trading day of the year, the closing price of the Brunello Cucinelli share was € 69.10 (+791.61% compared to the € 7.75 per share set for the IPO, +13.84% compared to the 2021 closing value of € 60.70). Market capitalisation at 31 December 2022 was € 4,698,800 thousand.

The following table provides details of the Company's share price and performance between 1 January 2022 and 31 December 2022:

	Euro	Date
IPO price	7,75	-
Minimum Price(1)	39,14	22-Jun-22
Maximum Price(1)	73,25	13-Dec-22
Closing price	69,10	31-Dec-22
Capitalisation	4.698.800.000,00	31-Dec-22
Number of outstanding shares	33.966.000,00	31-Dec-22
Free float	2.347.050.600,00	31-Dec-22

(1) Highs and lows recorded during daily trading which accordingly do not coincide with the official reference prices for the day.

SIGNIFICANT EVENTS DURING 2022

2022-2024 Stock Grant Plan
On 10 March 2022, the Board of Directors of Brunello Cucinelli SpA approved the 2022-2024 Stock Grant Plan (the "Plan") submitted for subsequent approval by the Ordinary Shareholders' Meeting on 27 April 2022.
The plan provides for the free allocation of Company shares to executive directors and employees of the Company and its subsidiaries if certain performance targets are achieved.

Acquisition of a minority shareholding in Cariaggi Lanificio S.p.A.
On 14 March 2022, the Company acquired from the Cariaggi family a 43% stake in the share capital of Cariaggi Lanificio S.p.A., a company based in Cagli (Pesaro and Urbino) and a manufacturer of knitting yarns, leader in the production of cashmere and fine wools. The Company is one of Cariaggi Lanificio S.p.A.'s main customers. The purchase price of the stake was € 15.05 million.

At the date of the acquisition of the equity investment, the fair value of the net assets of the associate company was equal to the carrying amount of those assets.

The acquisition of the shareholding by the Company was financed entirely from its own resources.
Control and day-to-day management of Cariaggi Lanificio S.p.A. remain in the hands of the Cariaggi family, which retains a total of 57% of the share capital.

Shareholders' Meeting of Brunello Cucinelli S.p.A.
The Ordinary Shareholders' Meeting of the Parent Company Brunello Cucinelli S.p.A. was held on 27 April 2022 The Shareholders' Meeting resolved to approve the annual financial statements as at 31 December 2021 and to allocate the profit for the year, as to the amount of € 28,560 thousand, by allocating to the shareholders a dividend of € 0.42 per share, and as to the amount of € 32,419,680, to be carried forward by allocation to retained earnings.

Acquisition of minority interests in subsidiaries
In H2 2022 the Group acquired the following minority stakes in subsidiaries:
- 30% of the capital of the subsidiary SAS White Flannel.
- 29.32% of the capital of the subsidiary SAM Brunello Cucinelli Monaco.
- 10.31% of the capital of the subsidiary Brunello Cucinelli Suisse SA.
- 30% of the capital of the subsidiary Brunello Cucinelli Retail Deutschland GmbH.

Note that the amounts related to the purchase of minority interests are accounted for in equity reserves.

Change of the name of the parent company Fedone S.r.l.
Following the merger by incorporation of the former Foro delle Arti S.r.l., in H2 2022 the parent company Fedone S.r.l. changed its name to Foro delle Arti S.r.l.

Incorporation of the subsidiary Brunello Cucinelli Kuwait for Readymade and Novelty Clothes' Retail WLL

During the second half of 2022, the subsidiary Brunello Cucinelli Kuwait for Readymade and Novelty Clothes' Retail WLL was established. The Parent Company directly holds 49% of the company's share capital and by virtue of contractual agreements between shareholders acquired the management and *de facto* control thereof.
The subsidiary directly manages the boutique in the prestigious The Avenues mall in Kuwait City, which opened to the public in January 2023.

UPDATE ON THE CONFLICT BETWEEN RUSSIA AND UKRAINE

For our Casa di Moda 2022 was truly splendid in terms of growth, creativity, the strengthening of all our networks of collaborators and partners, and for the awards received throughout the year for our product's exclusivity.
However, the painful conflict between Russia and Ukraine and the resulting international tensions continue. We continue to place immense faith in human responsibility so that hostilities may soon come to an end.
The effects of the conflict on the Group's sales in FY2022 were more than offset by the excellent performance of other geographic areas where the Group has operations.
The sanctioning measures adopted by the international community against Russia, as well as the countermeasures taken by that country, have led to a sharp increase in prices, mainly of raw materials, as well as interruptions and turbulence in the operation of international trade chains, which at present have not impacted the Group's profitability.
The Group does not purchase raw materials in Ukraine or Russia, and even in cases where raw materials originally come from abroad (e.g. cashmere from China), note that the supply chain does not at any time pass through the territories affected by the conflict and therefore the supply network has not slowed.
Production is carried out entirely in Italy, so no subcontractors located in Russia or Ukraine are involved. Finally, note that the Group is regularly collecting receivables from counterparties under Russian and Ukrainian law.
Although the uncertainty regarding the development of the situation and the possible repercussions at a global macroeconomic level remains very high, no significant negative consequences on the Group's 2023 results are currently expected. In this regard, please also refer to the "Management outlook" section of this Financial Report below.
The Group continues to closely monitor the development of the conflict in order to promptly identify the consequences on its current and prospective situation. In light of the continuation of the sanctions, the company's management has updated the assessments made as at 31 December 2021 and as at 30 June 2022 with respect to the recoverability of the value of the assets attributable to the OOO Brunello Cucinelli RUS CGU.
Note that based on the results of the impairment test performed as of 30 June 2022 in these financial statements, the value of Goodwill allocated to CGU OOO Brunello Cucinelli RUS, amounting to € 7,045 thousand, was fully written down.
The update of the impairment test performed as at 31 December 2022 using a multi-scenario analysis to take into account the still uncertain situation of the conflict did not reveal any additional impairment losses compared to the full write-down of the value of Goodwill mentioned above.
For further details see the more detailed comments in section "6.1 Impairment" of the Notes to the financial statements.
The Group will monitor the situation on an ongoing basis and update its assessment if necessary.

RELATED PARTY TRANSACTIONS

Reference should be made to the Notes to the consolidated financial statements for a detailed description of related party transactions conducted in 2022.

Pursuant to Consob Resolution no. 17221 of 12 March 2010, it is acknowledged that during 2022 the Group did not enter into major or material transactions with related parties that significantly affected the Group's capital or profit or loss.

INFORMATION ON SIGNIFICANT COMPANIES OUTSIDE THE EU

Brunello Cucinelli S.p.A., the Parent Company, directly or indirectly controls six companies (Brunello Cucinelli USA Inc., Brunello Cucinelli (Sichuan) Fashion Co. Ltd., Brunello Cucinelli Japan Co. Ltd., 000 Brunello Cucinelli RUS, Brunello Cucinelli Hong Kong Ltd., Brunello Cucinelli England Ltd.) established and regulated by the law of states outside the European Union ("Significant Companies outside the EU" as defined by Consob Resolution no. 20249/2017).

As regards these companies, note that:
- All prepare financial statements for the purpose of preparing the consolidated financial statements. The balance sheet and income statement of these companies are made available to the shareholders of Brunello Cucinelli S.p.A. in accordance with the relevant regulations;
- Brunello Cucinelli S.p.A. has acquired the by-laws and the composition and powers of the corporate bodies.
- The Significant Companies outside the EU: i) provide the auditor of the parent company with the information necessary to audit the annual and interim accounts of said parent company; ii) have a suitable administrative-accounting system to regularly provide management, the controlling body and the auditor of the parent company with the economic, equity and financial data necessary for the preparation of the consolidated financial statements.

In order to comply with its regulatory obligations, the Board of Statutory Auditors of Brunello Cucinelli S.p.A. verified the suitability of the administrative-accounting system to regularly provide management and the auditor of Brunello Cucinelli S.p.A. with the economic, equity and financial data necessary for the preparation of the consolidated financial statements and the effectiveness of the flow of information through meetings both with the auditor and with the Financial Reporting Officer.

CERTIFICATION AS PER ART. 16, PARAGRAPH 4 OF THE MARKET REGULATION ADOPTED WITH RESOLUTION NO. 20249 OF 28 DECEMBER 2017

Brunello Cucinelli S.p.A. is controlled by right by Foro delle Arti S.r.l. (formerly Fedone S.r.l.). More specifically, Foro delle Arti S.r.l. (formerly Fedone S.r.l.) owns the ordinary shares and has a voting right in the Issuer equal to 50.05% of the share capital thereof.

The Issuer is not subject to management and coordination by its Parent Company Foro delle Arti S.r.l. (formerly Fedone S.r.l.).

For information on this subject, please refer to the Report on Corporate Governance and ownership structure approved by the Board of Directors on 15 March 2023, which may be consulted in the Governance section of the Company's website at **www.brunellocucinelli.it**.

MAIN RISKS AND UNCERTAINTIES

Market risks

Risks related to the high level of competition in the market that Brunello Cucinelli Group operates in

The luxury market – and in particular the absolute luxury sector – which the Brunello Cucinelli Group operates in, is highly competitive and therefore it cannot be excluded that in the coming years new brands or brands currently located in other segments of the luxury market might position themselves in the same segment, thus becoming direct competitors of the Company.

Risks associated with the international sale of Brunello Cucinelli Group products

The Group sells its products all over the world, particularly in Europe, North America, Japan and China. The Group's presence in various international markets exposes it to risks associated among other things with the geopolitical and macroeconomic conditions of the countries that it operates in and their possible changes. Sales could be affected by various events such as market instability, the occurrence of natural disasters or socio-political upheavals (e.g. terrorist attacks, coups d'etat and wars). The occurrence of these events could negatively affect the demand for luxury goods in a given country or cause a contraction in tourism, with possible negative effects on the Group's business and growth prospects.

Risks associated with changes in the national and international regulatory framework that Brunello Cucinelli Group operates in

In the various jurisdictions that it operates in the Group is subject to the regulations applicable to products it manufactures and/or sells. Of particular importance among these are regulations on consumer protection, industrial and intellectual property rights and competition, the health and safety of workers and the environment.

The issuance of new regulations or amendments to current legislation could force the Brunello Cucinelli Group to adopt stricter standards, and this could entail costs of adapting production or product characteristics, or limit the Brunello Cucinelli Group's operations with a consequent negative effect on its growth prospects. More specifically, with regard to commercial distribution in countries other than Italy, Brunello Cucinelli Group products could be subject to the application of duties and other protectionist rules governing the importation of products into those nations.

Operating risks

Risks related to the continuity of craftsmanship and artisanal skills

One of the distinctive characteristics of Brunello Cucinelli brand products is the high level of craftsmanship inherent in the production, made possible also thanks to the constant internal training performed by the Company and the years of experience it has acquired. While the Brunello Cucinelli Group promotes the development of artisanal production techniques at a regional level, it is possible that in the future the number of specialised people engaged in this type of production could diminish.

Risks associated with the availability of raw materials (cashmere, in particular) and the increase in its price

The main raw materials used by the Brunello Cucinelli Group are yarns (particularly cashmere yarns), fabrics and leather. The availability of cashmere is subject to several factors that do not fall within the Brunello Cucinelli Group's sphere of control, some of which are not easily predictable. For example, climatic conditions in the regions (mainly Mongolia) where the raw cashmere comes from, changes in goat farming policies in producing countries or goat diseases and epidemics could affect the availability of cashmere and consequently its price.
Should there be a decrease in the availability of cashmere (or other raw materials) or an increase in demand and a consequent increase in price, the Brunello Cucinelli Group may encounter supply difficulties in the medium term and be forced to bear an increase in the costs incurred for the purchase of raw materials.

Risks associated with the retail sale of Group products

The risks associated with the management of the currently existing DOSs (directly operated stores) are mainly related to possible difficulties in renewing existing lease agreements, greater costs for rent, revocation or non-renewal of commercial licences (where necessary) and decreases in sales.
With regard to the opening of new DOSs, it should be noted that the increase in costs associated with new openings may not be accompanied by adequate revenue growth. In the competitive landscape that the Company operates in, the possibility of expanding the DOS network depends on the ability to obtain the availability – under economically sustainable conditions – of spaces located in positions deemed to be strategic by the Group. Among retail operators, there is strong competition to secure commercial spaces located in the most prestigious locations of the most important cities in the world. For this reason, when searching for new spaces the Group may have to compete with other retail operators, including those belonging to its same sector, having similar or greater economic and financial capacities than its own.

Risks related to relations with third-party manufacturers (façonisti)

Brunello Cucinelli Group products are produced using third-party manufacturers with respect to Brunello Cucinelli Group, in Italy known as *façonisti*. The relations between the Company and most of the third-party manufacturers with which it maintains long-term commercial relationships are not governed by multi-year agreements, but are based on orders entrusted to them for the collections of the individual seasons, in line with industry practice. Any termination of relations (in a short period of time) with a significant number of these façonisti or their repeated failure to comply with the production calendar, however shared, could have negative effects on the Brunello Cucinelli Group's business. Furthermore, it cannot be excluded that some façonisti may in the future default or terminate the collaboration relationship with the Company without notice.

Risks related to the defence of industrial and intellectual property rights

The protection of the Brunello Cucinelli brand and other intellectual property rights is fundamental for its positioning in the luxury market, especially in the absolute luxury sector that the Group competes in. The value of the brand could be compromised if its protection or the protection of the design of Brunello Cucinelli Group products was impracticable or particularly difficult.
While the Company invests significantly to ensure the protection of its trademark and intellectual property rights as well as the design of some of its most successful products worldwide, it cannot be excluded that the actions taken may prove ineffective in preventing imitations of the Group's trademark and products. Moreover, if the Group wishes to expand its business in countries where the Brunello Cucinelli trademark has not yet been registered, any previous use and/or registration of the trademark (or trademarks that can be confused with it) by third parties could result in a limitation (or an impediment) to the Group's business in these countries. Finally, the laws of many foreign countries do not protect intellectual property rights with the same intensity as Italian law or the laws of other EU countries.

Risks related to the perception of new trends

The sector that Brunello Cucinelli Group operates in is characterised by changes – sometimes even sudden ones – in customer trends, tastes and lifestyles and purchasing.

Therefore, the Company is subject to the risk of not always being able to perceive such fashion trends or adequately interpreting them during the styling, design and development phases of the final product. This circumstance could therefore compromise the success of the collections.

Cyber risks

Brunello Cucinelli Group's business, also in view of the growing organisational complexity and technological innovation in the sector, is exposed to risks of cyber attacks aimed at compromising business continuity and the improper collection of confidential data.

In order to strengthen the actions implemented to mitigate these risks, and in order to continuously align management with IT experts, an internal committee called the "IT Security Committee" has been established for years with the aim of supervising the business processes most at risk of cyber attacks and identifying the appropriate mitigation tools.

In addition to the consolidation of business continuity in the ICT field, continuous monitoring services and tools have been introduced, supported by the most modern technologies and with the assistance of highly specialised technological partners.

Technological activities such as the VAPT (Vulnerability Assessment Penetration Test) are accompanied by continuous training plans for personnel, aimed at increasing awareness on the subject of cybersecurity.

The ultimate objective is to standardise and extend the level of monitoring and control to all Group companies and all employees.

For a description of the overall Risk Management System implemented to manage and monitor these risks, please refer to the specific description in the Annual Report on Corporate Governance and Ownership.

RESEARCH AND DEVELOPMENT

Investing in research and development is crucial for the Company in order to create new products that meet the needs of customers, but also to consolidate the know-how developed over the years. Also important is the search for and testing of materials and the creation of prototypes.

PUBLIC CONTRIBUTIONS

During this financial year, the Parent Company Brunello Cucinelli S.p.A. and its Italian subsidiaries benefited from the following concessions:

– Contribution exemptions for the COVID health emergency, considered state aid, totalling € 40 thousand.
– Tax credit on incremental advertising investments (Article 57-bis, paragraph 1, Italian Decree-Law 50/2017) totalling € 40 thousand.
– Tax credit for investments in capital goods (Article 1, paragraphs 1051-1063, Italian Law 178/2020) for a total of € 103 thousand.
– Energy and gas tax credit (Italian Decree-Laws 21/2022, 115/2022, 144/2022, 176/2022) for a total of € 320 thousand.
– Contribution exemptions (Italian Law 205/2017) for a total of € 52 thousand.

ENVIRONMENTAL RISKS

The Brunello Cucinelli Group considers the prevention and management of risks that could jeopardise the achievement of the company's objectives and business continuity to be a strategic priority.

Within the overall risk profile, the Company has therefore identified the main risks related to climate change or environmental issues that may have implications or an impact on its business. The potential risks identified are those arising from environmental damage attributable to the organisation's operations and/or from inefficient resource management or risks arising from the occurrence of natural events (e.g. earthquakes, floods, etc.) and/or related to climate change, both in terms of physical risks, i.e. more frequent extreme weather events or gradual climate change, and in terms of transition risks, i.e. related to the transition to a low-carbon economy and the resulting government policies. However, the Group's current exposure to the consequences of climate change is limited.

The concept behind Human Sustainability is expressed, among other things, in the commitment to combat climate change, in which the monitoring, management and setting of emission reduction targets aimed at minimising direct and indirect environmental impacts is central: the Group's goal is therefore to achieve a concrete reduction in greenhouse gas emissions, moving from a "consumption approach" to an "emissions approach". In 2021, the Group thus defined its Emission Trajectory up to 2028 in compliance with the scientific standards defined by the Science-Based Target Initiative (SBTi).
After submitting its Letter of Commitment to the SBTi in December 2021, the Company submitted its targets for reducing its direct and indirect climate-changing emissions to the Science Based Target Initiative in 2022. The targets developed by the Brunello Cucinelli Group are currently being validated, with formal recognition expected in early 2023.

According to the principle of respecting the land we occupy and investing in the surrounding community based on the ideal of "pleasant suburbs", in H1 2022 the Company finalised the purchase of a built-up and abandoned area of 8 hectares in the immediate vicinity of Solomeo where the new production hub of the Casa di Moda will be built. The initiative is aimed at eliminating spaces at risk of landscape degradation, thus proposing an important redevelopment not only of the building but also of the surrounding area.
This production hub will be built according to the criteria necessary to obtain LEED® - Leadership in Energy and Environmental Design certification. The construction of the new hub will be characterised by a focus on the materials used, the use of renewable energy, the well-being of people, the quality of working conditions inside the building, and the environmental and landscape redevelopment of the area.

Moreover, the progressive replacement of the company's car fleet continued in 2022, reaching 32% of full-electric vehicles. In order to make these vehicles more efficient, a navigation software has been introduced that can make their routes more efficient based on parameters such as recharging time, routes to be travelled and battery autonomy.
Also during the year, the number of electric charging stations installed at the Solomeo site was increased to cover the energy needs of the electric vehicles.

Finally, in May 2022 the Casa di Moda joined and made a financial commitment to support the "Himalayan Regenerative Fashion Living Lab" project developed as a result of a partnership between the Sustainable Markets Initiative (SMI) Fashion Task Force and the Circular Bioeconomy Alliance (CBA).

Specifically, the project contributes to restoring degraded landscapes in two different areas of India:

– The first project is situated in the eastern Himalayas, in the province of Assam, and consists of restoring forests with multiple species of endemic trees planted in deforested areas to regenerate the soil, restoring the forest cover that populated them only a few decades ago, and developing agroforestry. The goal of planting 1 million trees was reached in 2022, 300,000 of which were financed by the Casa di Moda.
– The second project is located in the Western Himalayas, in the Ladakh region, and aims to develop the cashmere value chain by involving local communities to sustainably improve local production and help them address the consequences of climate change in their daily farming practices. A consultation is currently under way to implement a first pilot project in spring 2023.

More details on these projects can be found in the 2022 Consolidated Non-Financial Statement.

FINANCIAL RISK MANAGEMENT

Financial risks are managed on the basis of guidelines established by the Board of Directors. The aim is to ensure a liability structure that remains balanced with the composition of assets to maintain adequate levels of solvency.

The Group is exposed to various types of financial risks connected with its core business. More specifically, the Group is simultaneously exposed to market risk (interest rate risk and exchange rate risk), liquidity risk, credit risk and tax risk.

INTEREST RATE RISK

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will change due to changes in market interest rates.
Market interest rate fluctuations influence the level of net finance expense and the market value of financial assets and liabilities. The Group is exposed to the risk of an increase in financial costs in the income statement as a result of an unfavourable change in interest rates. Changes in market interest rates affect the cost of loans and the return on forms of use and therefore the level of the Group's financial income and expense, and also their fair value.
It is the Company's policy to hedge its exposure on the medium- and long-term portion of debt for market risk arising from interest rate changes. To manage such risk, the Company uses derivative instruments such as interest rate swaps.

EXCHANGE RATE RISK

Exchange rate risk is the risk that the fair value or future cash flows of an exposure will change due to changes in exchange rates.
The Group operates internationally and is therefore exposed to risks arising from exchange rate fluctuations, which have an impact on profits and the value of equity.
Furthermore, due to the fact that the Company prepares its consolidated financial statements in euros, fluctuations in the exchange rates used to convert the financial statements of the subsidiaries originally expressed in foreign currency could significantly influence the results, net financial debt and consolidated shareholders' equity as expressed in euros in the Group's financial statements and in financial ratios.

The Company is exposed to exchange rate risk for the currencies in which sales are made to affiliates and third-party customers. This risk exists in the eventuality that the market value of revenues in euro may decrease in the event of adverse fluctuations in the exchange rate, thereby preventing the desired margin from being achieved.
To limit its exposure to the currency risk deriving from its business activities, the Company enters into derivative contracts (forward exchange contracts) that predetermine the conversion rate or a range of conversion rates at future dates.
The forward contracts are stipulated when seasonal price lists in foreign currency are defined on the basis of estimated sales, with the expiry date of the derivative set as the expected collection date of the sales invoices. In particular, the Company sets its selling prices in euros and calculates the corresponding prices in foreign currency by applying the contracted forward exchange rate.

LIQUIDITY RISK

Liquidity risk is the risk related to the unavailability of financial resources necessary to meet the commitments assumed by the Group and its financial needs in the short term. The main factors that determine the Group's level of liquidity are, on the one hand, the resources generated or absorbed by operating and investment activities, and on the other hand, the maturity and renewal status of payables or the liquidity of financial commitments and market conditions.

The Company manages liquidity risk by strictly controlling the items making up working capital and, in particular, receivables from customers and payables to suppliers.

The Company strives to obtain good cash generation in order to settle trade payables without jeopardising its short-term cash requirements and to avoid critical issues and strains on available cash.

CREDIT RISK

Credit risk is the risk that a counterparty will not fulfil its obligations under a financial instrument or a commercial contract, thus leading to a financial loss.
Credit risk is the Company's exposure to potential losses arising from the failure by counterparties to meet their obligations.
The Company's exposure to commercial credit risk refers to sales to the wholesale channel. For sales to the retail channel, the risk is limited only to sales managed by the landlord, owner of the walls of the mall and direct manager of receipts within the boutiques. The remaining turnover comes from the pure retail sales channel, with payment in cash or by credit or debit card.

The Company generally prefers to do business with customers with whom it has established a consolidated relationship over time. It is the Company's policy to carry out checks on the relative credit class for customers requesting extended payment terms both by using information obtainable from specialised agencies and observing and analysing figures for the performance of established customers. In addition, balances are constantly monitored during the year in order to ensure timely action and reduce the risk of loss.

TAX RISK

At 31 December 2022, the Group consisted of 30 companies located in various countries around the world. The Parent Company Brunello Cucinelli S.p.A. has opted to implement national tax consolidation only with its direct subsidiary Brunello Cucinelli Europe S.r.l., thus determining a single taxable income with such subsidiary. The other Group companies, Italian and foreign, are subject to audits of tax returns and tax obligations by the tax authorities of the various countries. The tax risk limitation measures put in place by management to verify the adequacy and correctness of tax obligations obviously cannot completely exclude the risk of tax assessments.

For Transfer Pricing, the Group has adopted the Transactional Net Margin Method. The Group has centralised its risks and assets in the Principal (Brunello Cucinelli S.p.A.), while the other Group companies, carrying out distribution (mainly retail, with the exception of some companies that also operate in the wholesale trade), are considered entities performing "routine" functions and thus they are consequently entitled to receive a remuneration for their activities in line with that of independent companies engaged in similar functions. This remuneration, which must be aligned with the functions they perform and the risks incurred, is measured periodically through a benchmark analysis.

For a detailed analysis and representation of the financial risk management, as well as for the other information required by IFRS 7, please also refer to what is detailed in the Notes to these Financial Statements.

SIGNIFICANT EVENTS AFTER 31 DECEMBER 2022

Launch of the share buyback programme

On 9 January 2023, in implementation of the shareholders' resolution of 27 April 2022, the Parent Company's Board of Directors ordered Mediobanca – Banca di Credito Finanziario S.p.A. to initiate the purchase of own shares on behalf of the Parent Company starting on 10 January 2023, in full independence and in compliance with applicable regulations and the provisions of the shareholders' resolution.
The share buyback programme was executed using the safe harbour pursuant to Article 5 of Regulation (EU) no. 596/2014.

MANAGEMENT OUTLOOK

We are very pleased with this first part of 2023, with the **sell-outs of the Spring/Summer 2023** collections fully confirming the favourable feedback received during the presentations of the collections, both from multibrand partners and the trade press.
We also feel that our **brand** is enjoying a **splendid moment**, thanks also to the **very important accolades**. We have continued to see a higher **demand for luxury goods** than supply available in this first part of the year.
For these reasons we expect very **strong growth** in **Q1 2023**, also aided by the comparison with Q1 2022 which was relatively less busy than subsequent quarters.
The **Fall/Winter 2023 orders** were very strong, and the collections also received very positive comments from the trade press.

Based on these elements, we can foresee **very good growth** in turnover for **2023 and raise our estimates from +12% to +15%**, with a **healthy, fair profit** and a level of **investment** consistent with our multi-year planning.
Finally, in **2024** we consider revenue growth in the region of **+10%** to be reasonable.

Solomeo, 15 March 2023

Luca Lisandroni
Chief Executive Officer
Market Area

Cav. Lav. Brunello Cucinelli
Chairman of the Board of
Directors

Riccardo Stefanelli
Chief Executive Officer
Product and Operations Area

FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

(In thousands of euros)	NOTES	31 December 2022	*of which with related parties*	31 December 2021	*of which with related parties*
NON-CURRENT ASSETS					
Goodwill	1	-		7,045	
Right-of-use	2	520,066	4,154	504,968	4,677
Intangible assets	3	13,970		13,070	
Property, plant and equipment	4	188,692	12,755	166,033	12,517
Investment property	5	7,223		6,593	
Non-current financial assets for leases	6	5,633		3,886	
Other non-current financial assets	7	38,623	22,115	13,538	32
Deferred tax assets	27	65,337		49,546	
Non-current financial derivative assets	14	1,101		125	
TOTAL NON-CURRENT ASSETS		**840,645**		**764,804**	
CURRENT ASSETS					
Inventories	8	242,844		199,266	
Trade receivables	9	76,608	137	72,809	52
Tax receivables	10	3,779		1,735	
Other current receivables and assets	11	32,350	450	29,010	
Current financial assets for leases	6	2,628		2,633	
Other current financial assets	12	108		80	
Cash and cash equivalents	13	117,400		98,003	
Current derivative financial assets	14	6,626		161	
TOTAL CURRENT ASSETS		**482,343**		**403,697**	
TOTAL ASSETS		**1,322,988**		**1,168,501**	

(In thousands of euros)	NOTES	31 December 2022	*of which with related parties*	31 December 2021	*of which with related parties*
SHAREHOLDERS' EQUITY					
GROUP SHAREHOLDERS' EQUITY					
Share capital	15	13,600		13,600	
Share premium reserve	15	57,915		57,915	
Other reserves	15	230,429		191,304	
Net profit of the Group	15	80,599		53,322	
TOTAL GROUP SHAREHOLDERS' EQUITY		**382,543**		**316,141**	
MINORITY SHAREHOLDERS' EQUI-TY					
Capital and reserves attributable to non-controlling interests	15	3,827		3,286	
Net profit of minority interests	15	6,606		2,973	
TOTAL MINORITY SHAREHOLDERS' EQUITY		**10,433**		**6,259**	
TOTAL SHAREHOLDERS' EQUITY		**392,976**		**322,400**	
NON-CURRENT LIABILITIES					
Post-employment benefits	16	3,060		3,044	
Provisions for risks and charges	17	3,015		2,400	
Non-current bank debt	18	46,386		73,676	
Non-current financial liabilities for leases	19	474,931	4,058	469,753	4,595
Non-current financial payables	20	1,251		1,178	
Other non-current liabilities	21	386		788	
Deferred tax liabilities	27	12,478		8,575	
Non-current financial derivative liabilities	14	-		-	
TOTAL NON-CURRENT LIABILITIES		**541,507**		**559,414**	
CURRENT LIABILITIES					
Trade payables	22	137,040	7,959	102,654	621
Current bank debt	23	75,006		43,375	
Current financial liabilities for leases	19	90,066	562	79,610	541
Current financial payables	24	2,012		2,649	
Tax payables	25	32,492		12,242	
Current derivative financial liabilities	14	3,978		6,954	
Other current liabilities	26	47,911	713	39,203	717
TOTAL CURRENT LIABILITIES		**388,505**		**286,687**	
TOTAL LIABILITIES		**930,012**		**846,101**	
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**1,322,988**		**1,168,501**	

CONSOLIDATED INCOME STATEMENT AS AT 31 DECEMBER 2022

(In thousands of euros)	NOTES	31 December 2022	*of which with related parties*	31 December 2021	*of which with related parties*
Revenue	**28**	**919.708**	**102**	**712.179**	**5**
Costs for raw materials and consumables	29	(95.537)	(14.833)	(113.610)	(116)
Cost of services	30	(372.224)	(3.940)	(271.084)	(3.929)
Personnel costs	31	(164.713)	(6.271)	(132.948)	(2.119)
Other operating costs	32	(16.491)		(9.813)	
Other operating revenues	33	1.947	104	10.054	43
Increases in fixed assets for internal costs	34	2.153		3.445	
Amortisation and depreciation	35	(131.945)		(116.275)	
Value adjustments to assets and other pro-visions	36	(8.486)		(4.912)	
Total operating costs		**(785.296)**		**(635.143)**	
Operating profit		**134.412**		**77.036**	
Financial expense	37	(80.917)		(34.908)	
Financial income and from equity invest-ments	38	70.472	6.716	21.898	
Income before taxes		**123.967**		**64.026**	
Income taxes	27	(36.762)		(7.731)	
Result of the year		**87.205**		**56.295**	
Net profit of the Group	15	80.599		53.322	
Net profit of Minority Interests	15	6.606		2.973	
Basic earnings/(loss) per share (euros per share)	39	1,18528		0,78415	
Diluted earnings/(loss) per share (euros per share)	39	1,18528		0,78415	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AS AT 31 DECEMBER 2022

(In thousands of euros)		Year ended 31 December	
	NOTES	2022	2021
Result of the year (A)		**87,205**	**56,295**
Other components of the comprehensive income statement:			
Other components of the comprehensive income statement that will be subse-quently reclassified to profit/loss for the year		**9,739**	**4,986**
Cash flow hedge	15	12,584	(6,719)
Tax effect	15	(2,947)	1,612
Effect of change in the cash flow hedge reserve	**15**	**9,637**	**(5,107)**
Differences in foreign financial statement translation		2,468	7,026
Exchange gains/(losses) on net investments in foreign operations		(3,113)	4,035
Tax effect		747	(968)
Other components of the comprehensive income statement that will not subse-quently be reclassified to profit/(loss) for the year:	**15**	**(69)**	**(48)**
Remeasurement of defined benefit plans (IAS 19)		(91)	(63)
Tax effect		22	15
Total other components of the comprehensive income statement, net of tax ef-fects (B)		**9,670**	**4,938**
Total comprehensive income for the period, net of tax effects (A) + (B)		**96,875**	**61,233**
Attributable to:			
Group		90,334	58,118
Minority interests		6,541	3,115

CONSOLIDATED CASH FLOWS STATEMENT AS AT 31 DECEMBER 2022

(In thousands of euros)		Year ended 31 December	
	NOTES	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Result of the year	15	87,205	56,295
Adjustments to reconcile Net profit to cash flows generated / (used) by operating activities:			
Income taxes	27	36,762	7,731
Amortisation and depreciation	35	131,945	116,275
Allocations to provisions for Post-employment benefits	16	133	79
Allocations to Provisions for risks and charges/allowance for obsolescence/allowance for bad doubtful debts and impairment of assets		8,538	4,928
Change in Other non-current liabilities		(402)	728
(Gains)/losses on disposal of non-current assets		98	(79)
Write-down of Equity investments	38	(6,716)	-
Other Components without cash movements under IFRS 16		(1,643)	(568)
Interest expense	37	2,387	1,452
Interest expense for lease liabilities	37	11,753	10,578
Interest income	38	(142)	(18)
Interest income for lease assets	38	(51)	(18)
Payments for Employee termination indemnities	16	(200)	(204)
Payments from Provisions for risks and charges	17	-	(681)
Net change in Deferred tax assets and liabilities	27	(13,628)	(10,716)
Change in fair value of financial instruments	14	1,850	4,175
Changes in operating assets and liabilities:			
Trade receivables	9	(4,596)	6,603
Inventories	8	(41,900)	18,234
Trade payables	22	34,032	5,522
Interest expense paid		(2,324)	(1,518)
Interest paid on lease liabilities		(11,753)	(10,578)
Interest income received		142	18
Interest received on lease assets		51	18
Income tax paid		(31,275)	(7,781)
Other current assets and liabilities		15,671	7,701
NET CASH FLOWS GENERATED/(USED) BY OPERATING ACTIVITIES (A)		**215,937**	**208,176**

(In thousands of euros)		Year ended 31 December	
	NOTES	2022	2021
CASH FLOWS FROM INVESTING ACTIVITIES			
Investments in Property, plant and equipment	4	(55,040)	(42,786)
Investments in Intangible assets (including key money)	3	(7,501)	(10,705)
Investments in Financial assets	7	(18,178)	(1,817)
Investment property	5	(910)	(2,472)
Investments in/Divestments of Current financial assets		-	-
Acquisition of Brunello Cucinelli Middle East LLC, net of cash acquired		-	(1,669)
Disposal of Property, plant and equipment and key money		88	1,096
CASH FLOWS GENERATED/(USED) IN INVESTING ACTIVITIES (B)		**(81,541)**	**(58,353)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Drawdown of medium-/long-term loans	18	5,000	62,000
Repayment of medium-/long-term loans	18	(36,501)	(116,784)
Net change in short-term financial liabilities		34,935	8,340
Net change in long-term financial liabilities		-	1,133
Repayment of lease liabilities		(95,478)	(83,989)
Receipts from Financial lease assets		2,693	1,918
Dividends paid		(32,294)	-
Changes in Shareholders' equity		5,993	-
CASH FLOWS GENERATED/(USED) BY FINANCING ACTIVITIES (C)		**(115,652)**	**(127,382)**
TOTAL CASH FLOWS (D=A+B+C)		**18,744**	**22,441**
EFFECT OF EXCHANGE RATES ON CASH AND CASH EQUIVALENTS (E)		**653**	**2,728**
CASH AND CASH EQUIVALENTS AT YEAR START (F)	**13**	**98,003**	**72,834**
CASH AND CASH EQUIVALENTS AT YEAR END (G=D+E+F)	**13**	**117,400**	**98,003**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS AT 31 DECEMBER 2022

(In thousands of euros)	NOTES	Share capital	Legal reserve	Share premium reserve	Additional paidin capital	Translation reserve	Other reserves	Profit for the year	Total Group Shareholders' equity	Total Minority Shareholders' equity	Total Shareholders' equity
Balance at 1 January 2022	**15**	**13,600**	**2,720**	**57,915**	**-**	**2,168**	**186,416**	**53,322**	**316,141**	**6,259**	**322,400**
Result of the year								80,599	80,599	6,606	87,205
Other components of the comprehensive income statement						171	9,564		9,735	(65)	9,670
Total overall result		**-**	**-**	**-**	**-**	**171**	**9,564**	**80,599**	**90,334**	**6,541**	**96,875**
Allocation of the profit for the year	15						53,322	(53,322)	-		-
Dividends paid	15						(28,560)		(28,560)	(3,735)	(32,295)
Stock grant reserve							5,523		5,523		5,523
Change in the scope of consolidation and "under common control" transactions							(1,204)		(1,204)	681	(523)
Other changes							309		309	687	996
Balance at 31 December 2022	**15**	**13,600**	**2,720**	**57,915**	**-**	**2,339**	**225,370**	**80,599**	**382,543**	**10,433**	**392,976**

(in thousands of euros)	NOTES	Share capital	Legal reserve	Share premium reserve	Additional paidin capital	Translation reserve	Other reserves	Profit for the year	Total Group Shareholders' equity	Total Minority Shareholders' equity	Total Shareholders' equity
Balance at 1 January 2021	**15**	**13,600**	**2,720**	**57,915**	**-**	**(7,779)**	**225,729**	**(33,216)**	**258,969**	**2,135**	**261,104**
Result of the year								53,322	53,322	2,973	56,295
Other components of the comprehensive income statement						9,947	(5,151)		4,796	142	4,938
Total overall result		**-**	**-**	**-**	**-**	**9,947**	**(5,151)**	**53,322**	**58,118**	**3,115**	**61,233**
Allocation of the profit for the year	15						(33,216)	33,216	-		-
Change in the scope of consolidation and "under common control" transactions							(958)		(958)	1,009	51
Other changes							12		12		12
Balance at 31 December 2021	**15**	**13,600**	**2,720**	**57,915**	**-**	**2,168**	**186,416**	**53,322**	**316,141**	**6,259**	**322,400**

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022

1. BASIS OF PREPARATION

1.1 CONTENT AND FORM[1] OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were prepared on a going concern basis and in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union and in force at the date of the Financial Statements. The term IFRS also includes all revised International Accounting Standards ("IAS") and all interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), formerly known as the Standing Interpretations Committee ("SIC").

The Notes to the consolidated financial statements have been supplemented with the additional information requested by CONSOB and the measures it issued to implement Article 9 of Italian Legislative Decree no. 38/2005 (Resolutions no. 15519 and 15520) of 27 July 2006 and Communication no. DEM/6064293 of 28 July 2006, pursuant to Article 78 of the Issuers' Regulation, of the EC document of November 2003 and, where applicable, of the Italian Civil Code.

The consolidated financial statements as at 31 December 2022 have been prepared in accordance with Article 154-*ter* of Italian Legislative Decree 58/98, as well as the relevant provisions of Consob, and comprise the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated cash flows statement and the consolidated statement of changes in equity, as well as these Notes.

On 15 March 2023, the Board of Directors of Brunello Cucinelli S.p.A. approved the draft Consolidated Financial Statements and ordered that they be made available to the public, in the manner and within the time envisaged by the provisions of the laws and regulations in force. These financial statements were audited by PricewaterhouseCoopers S.p.A. in accordance with Legislative Decree 39/2010 in execution of the shareholders' resolution of 19 April 2021.

The consolidated financial statements are presented in euros, the functional currency of the Parent Company Brunello Cucinelli S.p.A., and all amounts are rounded to thousands of euros unless otherwise stated.
– Non-current assets consist of items that are expected to be recovered after more than 12 months.
– Current assets consist of items that are expected to be recovered after no more than 12 months.
– Non-current liabilities consist of items that are expected to be settled after more than twelve months, including loans, provisions and the employee severance indemnity (TFR).
– Current liabilities include payables that are expected to be settled in the Group's normal operating cycle or in the 12 months following the end of the reporting period.

The format for the consolidated income statement classifies revenues and costs by nature.
The consolidated cash flows statement has been prepared using the indirect method and is presented in accordance with IAS 7, classifying cash flows into operating activities, investing activities and financing activities.
The consolidated financial statements have been prepared on the basis of the historical cost principle, taking into account value adjustments where appropriate, with the exception of those items which, according to IFRS, must be measured at fair value.
Note that with reference to Consob Resolution no. 15519 of 27 July 2006 and Communication no. DEM/6064293 of 28 July 2006, the financial statements present information on significant related party transactions in order to provide a more complete disclosure, and income and expense arising from non-recurring events or transactions, if significant, are shown separately in the comments provided by management and in the financial disclosures.

1 This English version of the consolidated financial statements of Brunello Cucinelli Group constitutes a non-official version which is not compliant with the provisions of the Commission Delegated Regulation (EU) 2019/815. The official version of the consolidated financial statements, which was prepared in accordance with the aforementioned Regulation, has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

2. SCOPE OF CONSOLIDATION

The consolidated financial statements present the financial position, results and cash flows of the Parent Company Brunello Cucinelli S.p.A. and its Italian and foreign subsidiaries, together identified as the Brunello Cucinelli Group, as at 31 December 2022.

These financial statements have been prepared on the basis of the accounting situations of the Company and its subsidiaries, suitably adjusted to comply with IFRSs.

Control is obtained when the Group is exposed or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. More specifically, the Group has control over an entity if and only if it has all of the following:
– power over the investee (meaning it has existing rights that give it the current ability to direct the relevant activities i.e., the activities that significantly affect the investee's returns);
– exposure, or rights, to variable returns from its involvement with the investee;
– the ability to use its power over the investee to affect the amount of its returns.

If the Group holds less than the majority of the voting rights (or similar rights), it considers all the facts and circumstances relevant for establishing whether it controls an investee, including:
– contractual agreements with other holders of voting rights;
– rights resulting from contractual agreements;
– the Group's voting rights and potential voting rights.

The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. The Group consolidates a subsidiary from the date it gains control of that subsidiary until the date that control ceases. The assets, liabilities, income and expenses of the subsidiary acquired or disposed of during the period are included in the Group's comprehensive income from the date on which it gains control until the date it no longer exerts control.

All intercompany balances and transactions, including any unrealised profits or losses deriving from transactions with companies of the Brunello Cucinelli Group, are eliminated.

Acquisitions of subsidiaries are recognised under the purchase method, which involves allocation of the cost of the business combination to the fair value of the assets, liabilities, and contingent liabilities acquired at the acquisition date and the inclusion of the result of the acquired company from the acquisition date to the end of the period.

Profits and Equity attributable to non-controlling interests represent the part of profit or loss and equity relating to the net assets not held by the parent company's shareholders and are shown in the consolidated statement of financial position, the consolidated income statement and the consolidated statement of comprehensive income separately from profits and equity attributable to the shareholders of the parent company.

As at 31 December 2022, the Brunello Cucinelli Group does not have any stakes in joint ventures (defined as a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, pursuant to IFRS 11).

As far as equity investments in associate companies are concerned (companies in which the Group holds at least 20% of the voting rights or exercises significant influence over financial and operating policies, but not control or joint control), as of 2022 the Group holds a 43% equity investment in the share capital of Cariaggi Lanificio S.p.A. (with registered office in Cagli (PU) - Italy and share capital of € 7,000 thousand).

The following table provides summary information on the Company's subsidiaries and associates at 31 December 2022, consisting of the company's name and registered office and the percentage of share capital held directly and indirectly by the Brunello Cucinelli Group.

Company name	Registered office	Currency	Share capital in currency	Percentage holding	
				Direct	Indirect
Equity investments in subsidiaries					
Brunello Cucinelli Europe S.r.l.	Corciano (PG) – Italy	Euro	100,000	100.00%	
Max Vannucci S.r.l.	Perugia - Italy	Euro	118,000		75.50%
Pinturicchio S.r.l.	Corciano (PG) – Italy	Euro	100,000	2.00%	98.00%
Logistica e Distribuzione S.r.l.	Milan - Italy	Euro	100,000		51.00%
Brunello Cucinelli Austria GmbH	Vienna - Austria	Euro	35,000	2.00%	98.00%
Sprl Brunello Cucinelli Belgium	Brussels - Belgium	Euro	20,000		100.00%
Brunello Cucinelli Denmark ApS	Copenhagen – Den-mark	Danish krone	750,000	2.00%	98.00%
Brunello Cucinelli Retail Deutschland GmbH	Munich - Germany	Euro	200,000		100.00%
Brunello Cucinelli (England) Ltd.	London - United Kingdom	British pound	700		100.00%
Sarl Brunello Cucinelli France	Paris - France	Euro	200,000	2.00%	98.00%
SAS Brunello Cucinelli France Resort	Courchevel - France	Euro	100,000	2.00%	98.00%
Brunello Cucinelli GmbH	Munich - Germany	Euro	200,000		100.00%
Brunello Cucinelli Hellas SA	Athens - Greece	Euro	25,200		51.00%
SAM Brunello Cucinelli Monaco	Principality of Monaco	Euro	150,000		98.00%
OOO Brunello Cucinelli RUS	Moscow - Russia	Rouble	15,000,000	100.00%	
Brunello Cucinelli Retail Spain SL	Madrid - Spain	Euro	200,000	5.00%	95.00%
Brunello Cucinelli Suisse SA	Lugano - Switzerland	Swiss franc	223,000	1.79%	98.21%
SAS White Flannel	Cannes - France	Euro	50,000		100.00%
Brunello Cucinelli Canada Ltd.	Vancouver - Canada	Canadian dollar	10,445,100	100.00%	
Brunello Cucinelli USA Inc.	Ardsley (NY) - USA	US dollar	1,500	100.00%	

Market Service US, Inc.	New York - USA	US dollar	50,000		51.00%
Brunello Cucinelli (Sichuan) Fashion Co., Ltd.	Chengdu - China	Renminbi	200,000,000	100.00%	
Brunello Cucinelli Hong Kong Ltd.	Hong Kong - China	Hong Kong dollar	2,000,000	100.00%	
Brunello Cucinelli (Macau) Fashion Co., Ltd.	Macao - China	MOP/Hong Kong dollar	22,847,312	98.00%	2.00%
Brunello Cucinelli Japan Co., Ltd.	Tokyo - Japan	Japanese yen	330,000,000	75.00%	
Brunello Cucinelli Singapore Pte. Ltd.	Singapore	Singapore dollar	300,000	83.67%	
Brunello Cucinelli Taiwan Ltd.	Taiwan - China	Taiwan dollar	100,000	70.00%	
Brunello Cucinelli Middle East LLC	Dubai	Dirham	300,000	51.00%	
Brunello Cucinelli Kuwait for Readymade and Novelty Clothes' Retail WLL	Kuwait	Kuwait dinar	100,000	51.00%	
Equity investments in associate companies					
Cariaggi Lanificio S.p.A.	Cagli – Italy	Euro	7,000,000	43.00%	

During 2022, the scope of consolidation saw the following changes:

– Entry of the company Brunello Cucinelli Kuwait for Readymade and Novelty Clothes' Retail WLL, controlled by the Parent Company Brunello Cucinelli S.p.A. by virtue of voting agreements with the shareholder Al Tayer and fully consolidated.

– Exit of the company Brunello Cucinelli Netherlands B.V., whose liquidation was completed in 2022.

3. ACCOUNTING STANDARDS

PREFACE

The Consolidated Financial Statements have been prepared in accordance with the general criteria of reliable and truthful presentation of the Group's financial position, results of operations and cash flows, in compliance with the general principles of a going concern, accrual basis of accounting, consistency of presentation, relevance and aggregation, prohibition of offsetting and comparability of information.

DISCRETIONAL ASSESSMENTS AND SIGNIFICANT ACCOUNTING ESTIMATES

In accordance with the applicable accounting standards, the preparation of the consolidated financial statements of the Brunello Cucinelli Group requires the Directors of the Company to make discretionary assessments, estimates and assumptions based on complex and/or subjective judgements, historical experience and other factors that are believed to be reasonable with respect to the present circumstances and the knowledge available at the balance sheet date. The use of these accounting estimates affects the carrying amount of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date, as well as the amount of revenues and expenses during the reporting period. Actual results may differ from those estimated due to the uncertainty surrounding the assumptions and conditions the estimates are based on. Estimates and associated assumptions are revised on an ongoing basis.

The main processes used in making such discretionary estimates and measurements relate to the recognition and measurement of the following items.

Useful life of tangible and intangible fixed assets
The depreciation and amortisation of tangible assets, rights of use and intangible fixed assets with a finite useful life require discretionary estimates to be made by the Directors. Such estimates are reviewed at every balance sheet date to ensure that the carrying amounts reflect the best estimates of the costs to be incurred by the Group, and in case of significant variations the amounts are revised and updated.

Rights of Use and Lease Payables – IFRS 16
Following the initial application of IFRS 16, significant accounting estimates are made with respect to:
– The identification of the lease term, with particular reference to the measurement of the effects of the renewal option at the end of the non-cancellable period and an assessment of commercial practice regarding the property leases existing in the various legislations.
– The determination of the discount rate for all leases not containing an implicit interest rate; in particular, the Group has calculated an incremental borrowing rate (IBR) to be used to discount future lease payments, identifying each country as a portfolio of lease agreements with similar features and determining the relative IBR as the rate of a risk-free instrument of the respective country in which the lease agreement is stipulated, based on the various contractual deadlines, increased by the Group's credit spread.

Deferred tax assets
Deferred tax assets are recognised for deductible temporary differences between the carrying amounts of assets and liabilities in the financial statements and their corresponding tax bases and for unused tax losses to the extent that it is probable that sufficient taxable profit will be available against which these losses can be utilised. The directors are required to make a discretionary assessment to determine the amount of deferred tax assets that can be recognised, based on an estimate of the likely timing and amount of future taxable profits.

Recoverable amount of non-financial assets
The recoverability of non-financial assets is tested when events or changes in circumstances indicate that the carrying amount is not recoverable.
Events that may lead to a write-down of non-financial assets are changes in business plans and changes in market prices that may result in lower operating performance. The decision as to whether or not to recognise an impairment loss and the quantification of such impairment loss depend on management's assessment of complex, uncertain factors, including changes in discount rates, the impact of inflation, forecasts of global or regional supply and demand conditions, the impact of legislative and regulatory changes, etc. The definition of CGUs and the identification of the appropriate level of grouping of CGUs for the purpose of assessing the recoverability of non-financial assets requires management's judgement. In fact, CGUs are defined by considering, among other things, the ways in which management controls operating activities (e.g. for legal entities) or makes decisions about keeping the company's assets and activities operational or disposing of them. The expected cash flows used to determine the recoverable amount are quantified in light of the information available at the time of the estimate on the basis of subjective judgements about the performance of future variables – such as prices, costs, demand growth rates, production profiles – and are discounted using a rate that takes into account the risk inherent in the asset concerned.
With regard to the impairment test, see the paragraph "Impairment" below in these Notes to the financial statements.

Post-employment benefits and the agents' supplementary termination indemnity provision
The valuation of employee benefit liabilities and the agents' termination indemnity provision was done using actuarial valuations. These valuations require assumptions to be made about discount rates, future wage increases (for employment benefit liabilities only), staff turnover and mortality rates. Because of the long-term nature of these plans, these estimates are subject to a degree of uncertainty.

Allowance for bad and doubtful debts
The allowance for bad and doubtful debts represents management's best estimate of the amount required to adjust receivables to their estimated realisable value on the basis of information available at the date of preparation of the financial statements. The Group uses the simplified approach and recognises the expected losses on all trade receivables on the basis of their residual duration by establishing a criterion for determining the allowance based on the past loss experience of individual Group companies, adjusted also to take account of specific forecasting factors relating to creditors and the economic environment. The amount of expected losses is sensitive to changes in circumstances and the expected economic conditions.

Value adjustments to Inventories
The provision for inventory write-downs reflects management's estimate of the expected loss in value of materials or products from past seasons, taking into account their expected use and realisable value. The determination of the value of the provision also takes into account the donation programme related to the "Brunello Cucinelli for Humanity" project.

Derivative financial instruments
The measurement of derivative instruments recognised as assets and liabilities requires the use of estimates and assumptions. The way in which fair value is determined and the risk inherent in derivative contracts to hedge currency risk and interest rate risk is managed are illustrated in the specific paragraph on "Derivatives" in these Notes. The estimates and assumptions considered are reviewed constantly and the effects of any changes are recognised immediately in the financial statements.
Estimates and assumptions are made by directors with the support of the corporate functions and, where appropriate, of independent professionals, and are reviewed on a periodic basis.

Share-based payments
Share-based payments require estimates to be made with respect to the fair value of the instruments granted and the likelihood of realising the vesting conditions attached to them. These estimates are made by management and periodically updated.

BUSINESS COMBINATIONS AND GOODWILL

Business combinations are accounted for using the purchase method. The consideration transferred in a business combination is determined at the date control is assumed, and is equal to the fair value of the assets transferred, the liabilities incurred, and any equity instruments issued by the acquirer. The consideration transferred also includes the fair value of any contractually agreed contingent consideration assets or liabilities that are contingent on the occurrence of future events. Costs directly attributable to the transaction are recognised in profit or loss when incurred.
At the date control is acquired, the shareholders' equity of investee companies is determined by attributing to the individual identifiable elements of the assets and liabilities their fair value, except in cases where IFRS provisions establish a different measurement criterion. Any difference between the consideration paid and the fair value of the net assets acquired, if positive, is recognised as goodwill; if negative, it is recognised in the income statement. In the case of assumption of control that is not total, the portion of shareholders' equity of minority interests is determined on the basis of the share of current values attributed to assets and liabilities at the date of assumption of control, excluding any goodwill attributable to them. If control is assumed in stages, the acquisition cost is determined by adding the fair value of the previously held equity interest in the acquiree and the amount paid for the additional stake. The difference between the fair value of the investment previously held and its carrying amount is recognised in the income statement. Furthermore, upon assumption of control, any amounts previously recognised in other comprehensive income are recognised in profit or loss or in another equity item, if a reversal to profit or loss is not envisaged.
When the values of the acquiree's assets and liabilities are determined provisionally in the period in which the business combination is completed, the recognised values are adjusted retrospectively, no later than 12 months after the acquisition date, to take account of new information about facts and circumstances that existed at the acquisition date.

For the purpose of the consistency analysis, at the acquisition date goodwill acquired in a business combination is allocated to the individual cash-generating units of the Group, or groups of cash-generating units that should benefit from the synergies of the combination, regardless of whether other assets or liabilities of the Group are assigned to such units or groupings of units. Each unit or group of units to which goodwill is allocated:
a) Represents the lowest level within the Group at which goodwill is monitored for internal management purposes.

b) Is no broader than the segments identified on the basis of the Group's sector reporting format, determined on the basis of IFRS 8 – Operating Sectors.

When goodwill is part of a Cash-Generating Unit (so-called group of Cash-Generating Units) and part of the internal business of that unit is sold, the goodwill associated with the asset sold is included in the carrying amount of the asset to determine the gain or loss arising from the sale. The goodwill sold in such circumstances is measured on the basis of the relative values of the asset sold and the portion of the unit held.
When the sale concerns a subsidiary, the difference between the sale price and the net assets plus the accumulated translation differences and goodwill is recognised the income statement.

EQUITY INVESTMENTS IN ASSOCIATE COMPANIES

An associate is a company over which the Group exercises significant influence. Significant influence means the power to participate in determining the financial and operating policies of the investee without having control or joint control thereover.

The considerations made to determine significant influence are similar to those required to determine control over subsidiaries. The Group's investments in associate companies are valued using the equity method.

Under the equity method, an investment in an associate is initially recognised at cost. The carrying amount of the investment is increased or decreased to recognise the investor's share of the investee's profits and losses realised after the acquisition date. Goodwill pertaining to the associate is included in the carrying amount of the investment and is not subject to a separate impairment test.

The statement of profit/(loss) for the year reflects the Group's share of the associate's profit/(loss) for the year. Any changes in the other components of the statement of comprehensive income relating to these investees are presented as part of the Group's statement of comprehensive income. Furthermore, if an associate company recognises a change with a direct charge to equity, the Group recognises its share, where applicable, in the statement of changes in equity. Unrealised gains and losses arising from transactions between the Group and associate companies are eliminated in proportion to the share held in those associate companies.
The Group's aggregate share of the associate's profit/(loss) for the year is recognised in the statement of profit/(loss) for the year after operating profit/(loss) and represents the profit/(loss) after tax and the share of the associate's other shareholders.

The financial statements of associate companies are prepared on the same date as the Group's financial statements. Where necessary, the financial statements are adjusted to bring them into line with Group accounting principles.

Subsequent to the application of the equity method, the Group assesses whether it is necessary to recognise an impairment of its investment in associate companies. The Group assesses at each balance sheet date whether there is objective evidence that investments in associates are impaired. In this case, the Group calculates the amount of the loss as the difference between the recoverable amount of the associate and the carrying amount of the associate in its financial statements, and recognises this difference in the statement of profit/(loss) for the year under the item "Effects of the valuation of investments using the equity method".

Upon the loss of significant influence over an associate, the Group measures and recognises the residual investment at fair value. The difference between the carrying value of the investment at the date of loss of significant influence and the fair value of the residual investment and consideration received is recognised in the income statement.

OPERATIONS UNDER COMMON CONTROL

Business combinations involving entities under common control that are merely reorganisational in nature are recognised on a going-concern basis in the financial statements of the companies involved, without recognising any economic effects.

INTANGIBLE ASSETS

Intangible assets are capitalised at acquisition cost when it is probable that use of the asset will generate future economic benefits and its cost can be measured reliably.

Intangible assets acquired through business combinations are recorded at the fair value defined on the acquisition date, if this value can be reliably determined. Internally generated intangibles are not capitalised, and the related expenditure is reflected in the income statement in the period that the expenditure is incurred in.

Intangible assets with a finite useful life are amortised on a straight-line basis over their estimated useful life and are subject to impairment tests whenever there are indications of a possible impairment, following the rules described below.

The residual useful life is reviewed at the end of each year or more frequently if necessary. Changes in the expected useful life or the manner in which the future economic benefits related to the intangible asset are achieved by the Group are recognised by modifying the period and/or the amortisation method and treated as changes in accounting estimates. The amounts of amortisation of intangible assets with a defined life are recognised on the income statement in the cost category consistent with the function of the intangible asset.

An intangible asset is eliminated at the time of disposal (i.e. on the date on which the buyer gains control of it) or when no future economic benefit is expected to flow from its use or disposal. Any profit or loss deriving from the elimination of the asset (calculated as the difference between the net consideration of the disposal and the book value of the asset) is included in the income statement.

The estimate of the useful life of intangible assets with a finite useful life is as follows:

	Years
Trademarks	18
Software	3-5
Licences	5
Other intangible fixed assets	3-12

Authorisations, licences and trademarks
The item, classified under Intangible assets, includes the costs incurred for the registration of the Group's trademarks.

Research and development costs
Research costs are allocated in the year they are incurred in. Development costs incurred for a given project are recognised as intangible assets when the Group can demonstrate:
- The technical possibility of completing the intangible asset so that it is available for use or sale.
- The intention to complete the asset and the capacity and intention to use or sell it.
- The manner in which the asset will generate future economic benefits (income from the sale of products or services, cost savings or other benefits deriving from the use of the asset).
- The availability of resources to complete the asset.
- The ability to reliably measure the cost attributable to the asset during development.

After initial recognition, developed assets are measured at the decreased cost of accumulated amortisation or impairment losses. The amortisation of assets begins when development is complete and the asset is available for use. Developed assets are amortised with regard to the period of expected benefits. During the development period, the asset is audited annually for impairment.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment acquired separately are recognised at historical cost, including ancillary costs directly attributable and necessary for putting the asset into service for the use it was purchased for. This cost includes the costs of replacing part of the machinery and systems when they are incurred, if they comply with the recognition criteria.

With regard to buildings, the historical cost is represented by the fair value determined at the date of transition to IFRS (1 January 2008), as permitted by IFRS 1, and shown net of depreciation and any impairment losses.

Property, plant and equipment acquired through business combinations are recognised at the fair value determined on the acquisition date.

Costs of improvements, modernisation and transformation of tangible assets are recognised as assets when it is probable that they will increase the expected future economic benefits of the asset.

Maintenance and repair costs that are not likely to enhance and/or prolong the residual life of the assets are recognised in the year they are incurred, otherwise they are capitalised.

Property, plant and equipment are shown net of accumulated depreciation and any impairment losses determined as described below. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset for the enterprise, which is an estimate of the period over which the asset will be used.
Depreciation of Property, plant and equipment begins when the asset is ready for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended.

The value to be depreciated is represented by the carrying amount reduced by the presumed net disposal value at the end of its useful life, if significant and reasonably determinable. Any changes to the depreciation schedule arising from a revision of the useful life of the asset, the residual value or the manner in which the economic benefits of the asset are obtained are recognised prospectively.

Non-removable leasehold improvements are depreciated over the shorter of the useful life of the improvements and the lease term.

The estimate of the useful life of the main classes of tangible assets is as follows:

	Years
Buildings	33
(of which Leasehold improvements)	Based on the duration of the lease
Plant and machinery	8
Industrial and commercial equipment	4
Other assets	4-8

If components of the Property, plant and equipment have different useful lives, these components are accounted for separately. Land, whether free of or annexed to buildings, is recognised separately and is not depreciated as it has an indefinite useful life.

The book value of Property, plant and equipment is subjected to verification, in order to detect any possible impairment if events or changes in the situation indicate that the carrying amount cannot be recovered, following the rules described below.

The book value of an item of Property, plant and equipment and any significant component initially recognised is eliminated at the time of disposal (i.e. on the date on which the buyer gains control of it) or when no future economic benefit is expected to flow from its use or disposal. The profit/loss that emerges at the time of the accounting elimination of the asset (calculated as the difference between the net book value of the asset and the consideration received) is recognised in the income statement when the item is eliminated from the accounting.

Collection archive

For each collection, the Company holds on to one garment for each item that is considered significant and saleable. These products are used as a source of inspiration by the style office when creating new collections.

These assets are classified under Property, plant and equipment, recorded at historical production cost and depreciated over 10 years.

Increases in the value of these assets are recorded in the income statement under the item Increases in fixed assets for internal works.

INVESTMENT PROPERTY

According to IAS 40, tangible assets held for income and not for operations are classified in a special class called Investment property and are accounted for at cost. The assets included in this category consist of land and/or buildings (or parts of buildings) held by the owner or lessee under a financial or operating lease agreement for the purpose of leasing them.
These types of properties are classified separately from the other properties owned. Investment properties are shown net of accumulated depreciation and any impairment losses. The useful life of the Group's investment properties is 33 years.
The book value of investment property is subjected to audit in order to detect any possible impairment if events or changes in the situation indicate that the carrying amount cannot be recovered. Losses are accounted for in the income statement under the item "Value adjustments to assets and other provisions". Such losses of value are restored if the reasons that generated them cease to exist.
Investment properties are eliminated from the financial statements when they are sold (i.e. on the date on which the buyer gains control of them) or when the investment is permanently unusable and no future economic benefits are expected to flow from its sale. The amount of consideration to be taken into account in determining the gain or loss arising from the cancellation of an investment property is determined in accordance with the requirements for determining the price of the transaction in IFRS 15.

NON-CURRENT ASSETS HELD FOR SALE

Non-current assets held for sale are classified as such if the book value of the asset itself will be recovered mainly through a sale rather than through its continuous use. For this to occur, the asset must be available for immediate sale in its current condition or subject to conditions that are customary for the sale of such assets, and the sale must be highly likely.
Non-current assets held for sale are initially recognised at the lower of their carrying amount – if not classified as held for sale – and their fair value net of selling costs.

LEASES

When signing a contract, the Group evaluates whether it is, or contains, a lease. In other words, if the contract confers the right to control the use of an identified asset for a period of time in return for consideration, such a right exists if the contract gives the lessee the right to manage the asset and obtain substantially all the economic benefits arising from its use.

The Group as lessee

The Group adopts a single recognition and measurement model for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease payment liabilities and right-of-use assets that represent the right to use the asset underlying the contract.

i) Right-of-use assets

The Group recognises right-of-use assets at the date on which the lease commences (meaning the date on which the underlying asset is available for use). Right-of-use assets are measured at cost less accumulated depreciation and impairment losses and are adjusted for any remeasurement of the lease liability. A right-of-use asset is initially measured at the amount of the lease liability plus any initial direct costs and lease payments at or prior to commencement less any incentives received. Right-of-use assets are depreciated on a straight-line basis from the effective date to the end of the useful life of the right-of-use asset. The lease term is determined taking into account the non-cancellable period of the contract, and where there is reasonable certainty also the periods covered by the extension options or related to the non-exercise of the early termination options.
If the lease transfers ownership of the underlying asset to the lessee at the end of the lease term or if the cost of the right-of-use asset reflects the fact that the lessee will exercise a purchase option, the lessee must depreciate the right-of-use asset from the effective date until the end of the useful life of the underlying asset.

On each financial closing date, the Group assesses whether there are any indications of loss of value of the Rights of Use, and if such indications do emerge an impairment test is performed.

ii) Lease liabilities

At the date of commencement of the lease, the lease liability is initially measured at the present value of the lease payments due for the lease but not yet paid at that date. Payments consist of fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or rate and amounts expected to be payable by the lessee under residual value guarantees. Lease payments also include the exercise price of a purchase option that the lessee is reasonably certain to exercise and payments for terminating the lease if the lease term assumes that the Group will exercise the lease termination option.
Variable lease payments that do not depend on an index or rate are recognised as costs in the period (unless they were incurred for the production of inventories) in which the event or condition that generated the payment occurs.
When calculating the present value of payments due, the Group uses the marginal rate of financing at the start date if the implicit interest rate is not easily determinable. After the effective date, the amount of the lease liability is increased to take into account interest on the lease liability and decreases to take into account payments made. Moreover, the carrying amount of lease payables is redetermined in the event of any changes in the lease or revision of the contractual terms for the modification of payments. It is also redetermined in the event of changes in the valuation of the purchase option of the underlying asset or for changes in future payments resulting from a change in the index or rate used to determine such payments.

iii) Short-term leases and leases where the underlying asset has a low value

The Group has elected the recognition exemption for short-term leases (that is leases with a term of 12 months or less from the date of commencement and not containing a purchase option). The Group has additionally elected the recognition exemption for low-value leases where the underlying asset is office equipment, the value of which is considered immaterial. Lease payments for short-term leases and low-value leases are recognised on a straight-line basis in profit or loss over the lease term.

The Group as lessor

Those leasing contracts that substantially leave all risks and rewards linked to ownership of the asset to the Group are classified as operating leases. Lease income from operating leases must be recognized on a straight-line basis throughout the lease term, and is included among revenues in the income statement due to their operational nature. Initial negotiating costs are added to the book value of the leased asset and recognized on the basis of the duration of the contract on the same basis as rental income. Unexpected rents are recognized as revenues during the period in which they accrue.

Leases that substantially transfer all the risks and rewards of ownership of an underlying asset are classified as finance leases. Where finance leases exist, the Group recognises a receivable equal to the net investment in the lease in the statement of financial position and recognises finance income over the lease term on a basis that reflects a constant periodic rate of return on the net investment in the lease. The interest rate used to value the net investment in the lease is the interest rate implicit in the lease. In the case of a sub-lease, if the interest rate implicit in the sub-lease cannot be readily determined, the Group uses the discount rate for the main lease (adjusted for any initial direct costs associated with the sub-lease) to measure the net investment in the sub-lease.

IMPAIRMENT

On each financial closing date, the Group assesses whether there are any indications of loss of value of Intangible assets, Right of use and Property, plant and equipment. If such indicators do emerge, an impairment test is performed.

If the carrying value of the assets exceeds the recoverable value, they will be written down to reflect the recoverable value. The recoverable value is the higher of the fair value, net of the cost of disposal, of an asset or Cash-Generating Unit net of the cost of sale or value in use, and is determined for each individual asset, except where that asset generates cash flows that are not largely independent of those generated by other assets or asset groups, in which case the Group will estimate the recoverable value of the individual Cash-Generating Unit (hereinafter also "CGU") to which the asset belongs, represented by the smallest identifiable set of assets that generate cash inflows that are largely independent of those generated by other assets.

In determining value in use, the Group discounts to present value the expected future cash flows arising from the use of the Cash-Generating Unit and, if material and reasonably determinable, from its disposal at the end of its useful life, net of disposal costs, using a pre-tax discount rate that reflects market assessments of the time value of money and the risks specific to the asset.

Specifically, the discount rate used is the Weighted Average Cost of Capital (WACC) adjusted for the specific country risk where the CGU being valued is located. WACCs are differentiated according to the riskiness expressed by the countries the business operates in.

Expected cash flows are determined on the basis of reasonable and supportable assumptions representing the best estimate of future economic conditions that will occur over the remaining useful life of the Cash-Generating Unit, giving greater weight to external indications.

For the purposes of estimating the value in use, the future cash flows are taken from the business plans approved by the Board of Directors, which represent the Group's best possible estimate based on the financial conditions in the Plan period. The Plan projections usually cover a period of three years. The long-term growth rate used to estimate the terminal value of the asset or unit is determined on the basis of the average of the most recent research by the financial community on the Company. Future cash flows are estimated by referring to current conditions. The estimates do not, therefore, take into account the benefits of future restructuring operations that the Company has not yet implemented, or future investments or the optimisation of the business or its units.

If the book value of an asset or CGU – including the goodwill attributed to it – is higher than its recoverable value, the asset has suffered a value impairment and will therefore be written down to the recoverable value. The impairment loss is allocated first to goodwill up to its amount. Any excess of the impairment loss over goodwill is allocated pro rata to the carrying amount of the assets constituting the Cash-Generating Unit, up to the amount of the recoverable amount of the assets with finite useful lives.

Value impairments for operational assets are recognised on the income statement in the cost category consistent with the function of the impaired asset. On each closing date, the Group will also assess whether there are any indications that the previous value impairments have been reduced. If such indicators exist, it will re-estimate the recoverable value. The value of a previously written-down asset may only be restored if there have been changes to the estimates used to determine the recoverable value of the asset after the final recognition of a loss in value. In such a case the book value of the asset will be changed to the recoverable value, but the value thus increased may not exceed the book value which would have been determined net of the depreciation if no loss in value had been recorded in previous years. Any recovery in value is recorded as income on the income statement. After a recovery of value has been recognised, the depreciation of the asset will be adjusted in future years in order to distribute the modified book value net of any residual values, on a straight-line basis for its remaining useful life. Impairment of goodwill may not be recovered for any reason.

FINANCIAL INSTRUMENTS

Recognition and valuation

A financial instrument is any contract that gives rise to a financial asset for one entity and a financial liability or equity instrument for another entity.

Financial assets

Initial recognition and valuation
Upon initial recognition, financial assets are classified as appropriate according to the subsequent measurement method, namely amortised cost, fair value recognised in the OCI comprehensive income statement and fair value recognised in the income statement.
The classification of financial assets on initial recognition depends on the characteristics of the contractual cash flows of the financial assets and the business model that the Group uses for their management. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus transaction costs in the case of a financial asset not at fair value in the income statement. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined in accordance with IFRS 15.

Subsequent valuation
For the purposes of subsequent valuation, financial assets are classified in four categories:
– Financial assets at amortised cost (debt instruments).
– Financial assets at fair value recognised in the comprehensive income statement with reclassification of accumulated gains and losses (debt instruments).
– Financial assets at fair value recognised in the comprehensive income statement without reversal of accumulated gains and losses at the time of elimination (equity instruments).
– Financial assets at fair value through profit or loss.

Financial assets at amortised cost (debt instruments)
Financial assets are classified in this category if they meet the following requirements: (i) the asset is held under a business model whose objective is to own the asset for the purpose of collecting contractual cash flows; and (ii) the contractual terms of the asset provide for cash flows consisting solely of principal and interest payments on the principal amount to be repaid. These are mainly trade receivables, financial assets and other assets.
Trade receivables that do not contain a significant financial component are recognised at the price defined for the related transaction (determined in accordance with IFRS 15 Revenue from Contracts with Customers).

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the income statement when the asset is eliminated, modified or revalued.
The Group’s financial assets at amortised cost include trade receivables and security deposits.

Financial assets at fair value in OCI (debt instruments)

Financial assets are classified in this category if they meet the following requirements: (i) the asset is held under a business model whose objective is achieved both by collecting contractual cash flows and by selling the asset itself; and (ii) the contractual terms of the asset provide for cash flows consisting solely of principal and interest payments on the principal amount to be repaid.
These assets are initially recognised in the balance sheet at their fair value plus any incidental costs directly attributable to the transactions that generated them.

For debt instrument assets measured at fair value in OCI, interest income, changes due to exchange differences and impairment losses, together with adjustments, are recognised in the income statement and are calculated in the same way as financial assets measured at amortised cost. The remaining changes in fair value are recognised in OCI. Upon elimination, the cumulative change in fair value recognised in OCI is reclassified in the income statement.
Group debt instrument assets measured at fair value in OCI include investments in listed debt instruments included in other non-current financial assets.

Investments in equity instruments

On initial recognition, the Group may irrevocably choose to classify its equity investments as equity instruments recognised at fair value in OCI when they meet the definition of equity instruments in accordance with IAS 32 - "Financial instruments: Presentation" and are not held for trading. The classification is determined for each individual instrument.
Gains and losses achieved on these financial assets are never reversed in the income statement. Dividends are recognised in the income statement when the right to payment has been approved, except when the Group benefits from such revenues as recovery of part of the cost of the financial asset, in which case such gains are recognised in OCI. Equity instruments recorded at fair value in OCI are not subject to impairment tests.
The Group has chosen to irrevocably classify its unlisted investments in this category.

Financial assets at fair value through profit or loss

Financial instruments at fair value with changes recognised in the income statement are recognised in the balance sheet at fair value and net changes in fair value are recognised in the income statement.
This category includes derivative instruments and listed investments that the Group has not irrevocably chosen to classify at fair value in OCI. Dividends on listed investments are recognised as other income in the income statement for the year when the right to payment has been established.
The embedded derivative contained in a non-derivative hybrid contract, in a financial liability or in a main non-financial contract is separate from the main contract and accounted for as a separate derivative if: its economic characteristics and the risks associated with it are not closely correlated to those of the main contract; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value recognised in the income statement. Embedded derivatives are measured at fair value in the income statement. A restatement occurs only if there is a change in the terms of the contract that significantly changes the cash flows otherwise expected, or a reclassification of a financial asset to a category other than fair value in the income statement.

Derecognition

A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is first derecognised (e.g. removed from the Group's balance sheet) when:
– the rights to receive cash flows from the asset are extinguished, or
– the Group has transferred the right to receive cash flows from the asset to a third party or has assumed the contractual obligation to pay them in full and without delay and (a) it has substantially transferred all risks and rewards of ownership of the financial asset, or (b) it has not substantially transferred or retained all risks and rewards of the asset, but it has transferred control over it.

In cases where the Group has transferred the rights to receive cash flows from an asset or has entered into an agreement under which it maintains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more beneficiaries (pass-throughs), it shall assess whether and to what extent it has retained the risks and rewards inherent in possession. If it has not substantially transferred or retained all risks and benefits or it has not lost control over it, the asset continues to be recognised in the Group's financial statements to the extent of its residual involvement in the asset itself. In this case, the Group also recognises an associated liability. The transferred assets and associated liabilities are valued to reflect the rights and obligations that remain attributable to the Group.
Where the entity's residual involvement is a guarantee on the transferred asset, the involvement is measured on the basis of the lesser of the amount of the asset and the maximum amount of consideration received that the entity may have to repay.

Impairment

The Group records a write-down for expected losses for all financial assets represented by debt instruments not held at fair value through profit or loss. Specifically, impairment provisions apply to all financial assets measured at amortised cost and at fair value through comprehensive income, while financial assets measured at fair value through profit or loss are excluded.
The Group uses the simplified approach and recognises the expected losses on all trade receivables on the basis of their residual duration by establishing a criterion for determining the allowance based on the past loss experience of individual Group companies, adjusted also to take account of specific forecasting factors relating to creditors and the economic environment.
In the absence of a reasonable expectation of recovery, trade receivables are fully written down.

Financial liabilities

Recognition and initial valuation
Financial liabilities are classified upon initial recognition as financial liabilities at fair value through profit or loss, as mortgages and loans, or as derivatives designated as hedging instruments.
All financial liabilities are initially recognised at fair value plus directly attributable transaction costs in the case of mortgages, loans and payables.
The Group's financial liabilities include trade payables and other payables, mortgages and loans, including bank overdrafts and financial derivatives.

Subsequent valuation

For the purposes of subsequent valuation, financial liabilities are classified into two categories:
– Financial liabilities at fair value through profit or loss.
– Financial liabilities at amortised cost (financing and loans).

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value with changes recognised through profit or loss include liabilities held for trading and financial liabilities initially recognised at fair value with changes recognised through profit or loss.

Liabilities held for trading are all those assumed with the aim of extinguishing or transferring them in the short term. This category also includes derivatives entered into by the Group that are not designated as hedging instruments in a hedging relationship as defined by IFRS 9. Embedded derivatives, separated from the main contract, are classified as financial instruments held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the income statement.
Financial liabilities are recognised at fair value through profit or loss from the date of first recognition only if the criteria of IFRS 9 are met. At initial recognition, the Group did not designate financial liabilities at fair value through profit or loss.

Financial liabilities at amortised cost (financing and loans)
After initial recognition, loans are measured at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the liability is extinguished, as well as through the amortisation process.

The amortised cost is calculated by taking into account the discount or premium on the acquisition and the fees or costs that form an integral part of the effective interest rate. Amortisation at the effective interest rate is included among the financial charges in the profit/(loss) for the year.
This category generally includes receivables and interest-bearing loans.

Derecognition
A financial liability is derecognised when the obligation underlying the liability is extinguished, cancelled or fulfilled. If an existing financial liability is replaced by another of the same provider under substantially different conditions, or if the conditions of an existing liability are substantially modified, this exchange or modification is treated as a derecognition of the original liability accompanied by the recognition of a new liability, with any differences between the accounting values recorded in the profit/(loss) for the year.

Offsetting of financial instruments
A financial asset and financial liability can be offset and the net balance shown in the balance sheet if there is a current legal right to offset the recognised amounts and there is an intention to settle the net residual, or realise the asset and at the same time settle the liability.

Derivatives and Hedge Accounting

Initial recognition and subsequent valuation
The Group uses derivative financial instruments including foreign currency forward contracts and interest rate swaps to hedge its currency exchange risks and interest rate risks, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive, and as financial liabilities when the fair value is negative.

For hedge accounting purposes, there are three types of hedges:
– Fair value hedge when hedging against exposure to changes in the fair value of the asset or recognised liability or unrecognised irrevocable commitment.
– Cash flow hedge when hedging against exposure to variability in cash flows attributable to a particular risk associated with all recognised assets or liabilities or with a highly probable planned transaction or foreign currency risk on an unrecognised irrevocable commitment.
– Hedges of a net investment in a foreign operation.

At the inception of a hedging transaction, the Group formally designates and documents the hedging relationship to which it intends to apply hedge accounting, its risk management objectives and the strategy pursued.

The documentation includes the identification of the hedging instrument, the hedged item, the nature of the risk and how the Group will assess whether the hedging relationship meets the requirements for hedge effectiveness (including an analysis of the sources of hedge ineffectiveness and how the hedging relationship is determined). The hedging relationship meets the eligibility criteria for accounting for hedging transactions if it meets all the following hedging effectiveness requirements:
– There is an economic relationship between the hedged item and the hedging instrument.
– The effect of the credit risk does not prevail over the changes in value resulting from the aforementioned economic relationship.

The hedging ratio of the hedging relationship is the same as that resulting from the amount of the hedged item that the Group actually hedges and the amount of the hedging instrument that the Group actually uses to hedge that amount of hedged item.

Transactions that meet all the qualifying criteria for hedge accounting are accounted for as follows:

Fair value hedges
The change in the fair value of hedging derivatives is recognised in the profit/(loss) for the year. The change in the fair value of the hedged item attributable to the hedged risk is recognised as part of the carrying amount of the hedged item and is also recognised in the comprehensive income statement.
With regard to fair value hedges related to items accounted for at amortised cost, each adjustment to the book value is amortised in the income statement for the year over the residual period of the hedge using the effective interest method. The amortisation thus determined may begin as soon as an adjustment exists but may not extend beyond the date on which the hedged item ceases to be adjusted as a result of changes in fair value attributable to the risk being hedged.
If the hedged item is derecognised, the unamortised fair value is recognised immediately in the income statement.

When an unrecognised irrevocable commitment is designated as a hedged item, the subsequent cumulative changes in its fair value attributable to the hedged risk are accounted for as assets or liabilities and the corresponding gains or losses are recognised in the profit/(loss) for the year.

Cash flow hedging
The portion of profit or loss on the hedged instrument relating to the effective hedging portion is recognised in the other components of the comprehensive income statement in the Cash flow hedge reserve, while the ineffective portion is recognised directly in the income statement. The Cash flow hedge reserve is adjusted to the lesser of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The Group uses forward contracts on currencies to hedge its exposure to exchange rate risk relating to both planned transactions and commitments already established. The ineffective portion of forward exchange contracts is recognised in financial income and expenses.

The Group designates only the spot component of forward contracts as a hedging instrument. The forward component is cumulatively recognised in OCI in a separate item.
Amounts accumulated among other components of comprehensive income are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial component, the amount accumulated in shareholders' equity is removed from the separate component of the shareholders' equity and included in the cost or other carrying amount of the hedged asset or liability. This is not considered a reclassification of the items recognised in OCI for the period. This also applies in the case of a hedged planned transaction of a non-financial asset or a non-financial liability that subsequently becomes an irrevocable commitment to which fair value hedge accounting applies.

For any other cash flow hedge, the amount accumulated in OCI is reclassified to the income statement as a reclassification adjustment in the same period or periods during which the hedged cash flows impact the income statement.

If the cash flow hedge accounting is discontinued, the amount accumulated in OCI must remain so if the future cash flows hedged are expected to occur. Otherwise, the amount must be immediately reclassified in the income statement for the year as a reclassification adjustment. After suspension, once the hedged cash flow occurs, any accumulated amounts remaining in OCI must be accounted for depending on the nature of the underlying transaction as described above.

Hedges of a net investment in a foreign operation
Hedges of a net investment in a foreign operation, including hedges of a monetary item accounted for as part of a net investment, are accounted for in a manner similar to cash flow hedges. Gains or losses on the hedging instrument are recognised among other components of the comprehensive income statement for the effective portion of the hedge, while the remaining (ineffective) portion are recognised in the profit/(loss) for the year. Upon disposal of the foreign asset, the cumulative value of these comprehensive gains or losses is transferred to the profit/(loss) for the year.

INVENTORIES

Inventories are measured at the lower of purchase and/or production cost, determined using the weighted average cost method, and their net realisable value. The purchase cost is inclusive of the ancillary costs related to purchases of the period; the production cost includes the costs of direct allocation and a portion of the indirect costs reasonably attributable to the products. The net realisable value is estimated sales price less estimated costs for completion and estimated costs to execute the sale.

Where necessary, provision is made for materials or products, taking into account their expected use and realisable value.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand and short-term demand deposits, in the latter case with an original term no longer than three months. Cash and cash equivalents are recorded in the financial statements at nominal value and at the spot exchange rate at the end of the year if in foreign currency.

PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges are recognised when: (i) it is probable that a present legal or constructive obligation exists as a result of a past event; (ii) it is probable that performance of the obligation will be onerous; (iii) the amount of the obligation can be reliably estimated.
Provisions are recorded at the value representing the best estimate of the amount that the company would rationally pay to settle the obligation or to transfer it to third parties at the balance sheet date.

When the Group considers that a Provision for risks and charges will be partially or completely reimbursed, for example in the case of risks covered by insurance policies, compensation is recognised distinctly and separately in the assets if and only if it is practically certain. In this case, the cost of any provision is presented in the income statement net of the amount recognised as compensation.

If the effect of discounting the value of the money is significant, the provisions are discounted using a pre-tax discount rate that, where appropriate, reflects the specific risks of the liabilities. After discounting, the increase in the provision due to the passage of time is recognised as a financial expense.

Provisions are periodically updated to reflect changes in estimates of costs, timing and discount rate; revisions are charged to the same income statement item that previously accounted for the provision.

SHARE-BASED PAYMENTS

In accordance with IFRS 2, the total amount of the current value of stock grants at the allocation date is recognised in full in the statement of profit/(loss) for the year, with a balancing entry in a special equity reserve. In the case of a "vesting period" in which certain conditions (achievement of targets) must be met for the grantees to become entitled to the right, the cost recognised in the statement of profit/(loss) for the year, determined on the basis of the current value of the shares at the grant date, spread over the relevant service period.

POST-EMPLOYMENT BENEFITS

Post-employment benefit plans, whether formal or not, are classified as "defined benefit plans" and "defined contribution plans", depending on their characteristics.

Italian legislation (Article 2120 of the Italian Civil Code) provides that on the date on which an employee terminates the employment contract with the Company, he/she receives a severance indemnity called TFR. The calculation of this indemnity is based on certain items that form the annual remuneration of the employee for each year of work (appropriately revalued) and on the length of the employment relationship. According to Italian civil law, this indemnity is reflected in the financial statements according to a calculation method based on the indemnity accrued by each employee at the financial statement date, hypothesising that all employees terminated their employment contracts on that date.

The International Financial Reporting Interpretations Committee (IFRIC) of the International Accounting Standards Board (IASB) addressed the issue of the Italian TFR and concluded that, in application of IAS 19, it must be calculated according to a methodology called the Projected Unit Credit Method ("PUCM"), according to which the amount of the acquired benefit liability must reflect the expected date of resignation and must be discounted.

The actuarial assumptions and their effects take into account the regulatory changes introduced by the Italian legislature, which have provided for the option for the employee to allocate the TFR accrued from 1 July 2007 to INPS or to supplementary pension funds.

The net obligation of the Group deriving from defined benefit plans is calculated by estimating the amount of future benefit that employees have accrued in exchange for the work done in the current and previous years. This benefit is discounted to calculate the present value. Actuarial gains and losses related to defined benefit plans, accumulated up to the previous year and reflecting the effects deriving from changes in the actuarial assumptions used, are recognised in full in the comprehensive income statement.

The actuarial valuation of the liability was entrusted to an independent actuary.
The Group's obligation deriving from defined contribution plans is limited to the payment of contributions to the State or to an asset manager or a legally separate entity (so-called fund), and is determined on the basis of the contributions due.

REVENUES AND COSTS

Revenue from contracts with customers
IFRS 15 requires revenues to be recognised for an amount that reflects the consideration to which the entity expects to be entitled in exchange for the transfer of goods or services to the customer.
The Group applied IFRS 15 from the mandatory effective date (1 January 2018), using the method of full retrospective application. In applying IFRS 15, the Group considered the following points:

a) Sale of goods
Revenues from the sale of goods are recognised when control of the goods passes to the customer. Generally, this occurs:
– For the wholesale channel, at the time of shipment.
– For the retail channel, at the time of delivery of the goods to customers, where sales are usually paid directly at the cash register or via credit card.
– For the e-commerce channel, when the customer gets control of the shipped goods.
In some geographical areas, the Group sells its products through department stores that act as agents and charge back to the Group the fees for the services rendered (rental of the premises, promotional events, marketing, etc.) in relation to the value of the goods sold to the end customer. In fact, in these contracts the department store is not considered as the main party responsible for fulfilling the promise to supply the goods to the end customer.
Moreover, the department store does not have the discretionary power to define the price of the goods sold to customers.
Consequently, for these types of contracts the application of IFRS 15 provided for the presentation of the actual revenues from sales and the separate indication of the costs of the services rendered by the department store, the latter being services distinct from those for the sale of products to the end customers.
The Group noted that the recognition of revenues occurs when control of the asset is transferred to the customer, generally upon delivery of the asset (revenue recognition at a point in time).

b) Variable consideration – right of return
The Group recognises the right of return only in residual and ancillary cases with respect to the ordinary performance of the commercial relationship with its customers. When a contract with a customer provides for a right of return of the goods, the Group uses the expected value method to estimate the goods that will not be returned, in accordance with IFRS 15.
Revenues are presented net of returns, which also include the estimate made to take into account returns that will arise after the end of the financial year but which are related to the revenues of the financial year.

Royalties
Royalty revenues are recognised on an accrual basis in accordance with the terms and amounts envisaged in the licence agreement, generally based on sales volumes.

Public grants
Public grants are recognised when it is reasonably certain that they will be received and all conditions relating to them are met. Grants related to cost components are recognised as revenues, but are systematically distributed

between financial years so as to be proportionate to the recognition of the costs they intend to offset. The grant related to an asset is recognised as revenue on a straight-line basis, over the expected useful life of the specific asset. Where the Group receives a non-monetary contribution, the asset and its grant are recorded at nominal value and released to the income statement on a straight-line basis over the expected useful life of the asset in question.

Costs

Costs are recognised when they are related to goods and services sold, consumed or allocated when their future useful lives cannot be determined.
In accordance with IAS 38, advertising and research costs are fully allocated to the income statement when the service was rendered and delivered to the Group.
Costs are recorded on the basis of their nature considering the principles applicable under IFRS.

FINANCIAL INCOME AND CHARGES

Financial income and expenses include all financial items recognised in the income statement for the period on an accrual basis, including interest expense accrued on borrowings, calculated using the effective interest method, foreign exchange gains and losses, gains and losses on derivative financial instruments (in accordance with the previously defined accounting policies), and interest arising from the accounting treatment of leased assets (IFRS 16) and employee-related provisions (IAS 19).

INCOME TAXES

Income taxes for the period include the determination of both current and deferred taxation. They are recognised in full in the income statement and included in the result for the period, except when they are generated by transactions that are transferred in the current or another period through other comprehensive income directly to equity. In this case, the related deferred taxes are also recognised directly in equity.

Current taxes

Current taxes reflect an estimate of the tax burden determined by applying the regulations in force in the countries that the Brunello Cucinelli Group operates in. The liability for current taxes is calculated using the rates in force or substantially approved at the reporting date.
Current tax payables are classified in the balance sheet net of any tax receivables paid.

Deferred taxes

Deferred taxes are calculated on the deductible temporary differences (deferred tax assets) and taxable (deferred tax liabilities) resulting at the reporting date between the tax values taken as reference for assets and liabilities and the values reported in the financial statements.

Deferred tax assets are recognised to the extent that it is probable that sufficient future taxable profit will be available against which temporary deductible differences and carried-forward tax assets and liabilities can be utilised.

The value of deferred tax assets to be reported in the balance sheet is reviewed at each closing date of the financial statements and reduced to the extent that it is no longer probable that sufficient taxable profits will be available in the future to allow all or part of this credit to be used.
Deferred tax assets not recognised are reviewed annually at the balance sheet date and are recognised to the extent that it has become probable that the taxable profit is sufficient to allow these deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured according to the tax rates expected to be applied in the year in which these assets are realised or these liabilities are extinguished, considering the rates in force and those already enacted or substantially enacted at the reporting date.

Deferred tax assets and liabilities are charged directly to the income statement, with the exception of those relating to items recognised directly in Shareholders' equity, in which case the relevant deferred taxes are recognised consistently without being charged to the income statement.

Deferred tax assets and liabilities are offset if there is a legal right to offset current tax assets with current tax liabilities, and the deferred taxes refer to the same tax entity and the same tax authority.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

EARNINGS/(LOSS) PER SHARE

Basic profit/(loss) per share are calculated by dividing the Group profit/(loss) of the Group by the weighted average number of shares in circulation during the period. To calculate diluted profit/(loss) per share, the weighted average number of shares in circulation is modified assuming the conversion of all potential shares having a dilutive effect. The net result is also adjusted to take into account the effects of the conversion net of taxes.

Basic profit/(loss) per share and diluted earnings per share coincide since there are no outstanding shares or options other than ordinary shares.

OPERATING SEGMENTS

For the purposes of IFRS 8 – Operating Segments the Group's business is conducted in a single operating segment.

IFRS 8 defines an operating segment as a component:
- That undertakes entrepreneurial activities that generate revenues and costs;
- Whose operational results are periodically reviewed at the highest decision-making level;
- For which separate financial statement information is available.

The Group has identified a single operating segment, linked to the concept of "brand". The Group identifies itself in a single brand, "Brunello Cucinelli", and this representation is consistent with the way management makes its decisions, allocates resources and defines its communications strategy.

4. CHANGES IN ACCOUNTING PRINCIPLES, NEW ACCOUNTING PRINCIPLES, CHANGES IN ESTIMATES AND RECLASSIFICATIONS

4.1 NEW ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP

The Group has applied for the first time certain principles or amendments that are effective from 1 January 2022. The Group has not early adopted any new standard, interpretation or amendment that has been issued but is not yet effective.

Onerous contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
An onerous contract is a contract in which the non-discretionary costs (i.e. the costs that the Group cannot avoid because it is a party to a contract) necessary to perform the obligations undertaken are greater than the economic benefits that are supposed to be obtainable from the contract.
The amendment specifies that in determining whether a contract is onerous or generates losses, an entity must consider costs directly related to the contract for the provision of goods or services that encompass both incremental costs (i.e. the cost of direct labour and materials) and costs directly attributable to contractual activities (i.e. depreciation of equipment used to perform the contract as well as costs for managing and supervising the contract). General and administrative expenses are not directly related to a contract and are excluded unless they are explicitly chargeable to the other party based on the contract.

These changes had no impact on the Group's consolidated financial statements, as no onerous contracts were recognised based on these changes.

Reference to the Conceptual Framework – Amendments to IFRS 3
The amendments are intended to replace references to the Framework for the Preparation and Presentation of Financial Statements with references to the Conceptual Framework for Financial Reporting published in March 2018 without a significant change to the requirements of the standard.
The amendment added an exception to the measurement principles of IFRS 3 to avoid the risk of potential "day-after" losses or gains arising from liabilities and contingent liabilities that would fall within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if contracted separately. The exemption requires entities to apply the requirements of IAS 37 or IFRIC 21 rather than the Conceptual Framework to determine whether a present obligation exists at the acquisition date.
The amendment also added a new paragraph to IFRS 3 to clarify that contingent assets do not qualify as recognisable assets at the acquisition date.

In accordance with the transition rules, the Group applies the amendment prospectively, i.e. to business combinations occurring after the beginning of the financial year in which the amendment is first applied (date of first application).

These changes had no impact on the Group's consolidated financial statements as no contingent assets, liabilities or contingent liabilities were recognised based on these changes.

Property, plant and equipment: Proceeds before intended Use – Amendment to IAS 16

These amendments prohibit entities from deducting from the cost of an item of property, plant and equipment any proceeds from the sale of products sold in the period when that asset is brought to the location or condition necessary for it to be capable of operating in the manner for which it was planned by management. The revenues from the sale of such products and the costs to produce those products are accounted for in the income statement. In accordance with the transition rules, the Group applies the amendment retrospectively only for those items of Property, Plant and Equipment that came into operation after or at the beginning of the year compared to the year in which the amendment is first applied (date of first application).

These changes did not have an impact on the Group's consolidated financial statements as there were no sales related to these items of property, plant and equipment before or after the beginning of the previous comparative period.

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter

This amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to account for cumulative translation differences based on the amounts recognised by the parent, taking into account the date of transition to IFRSs by the parent, if no adjustments were made in the consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment also applies to associates or joint ventures that elect to apply paragraph D16(a) of IFRS 1.

This change had no impact on the Group's consolidated financial statements as the Group is not a first-time adopter.

IFRS 9 Financial Instruments – Fees in the "10 per cent" test for derecognition of financial liabilities

This amendment clarifies what fees an entity includes in determining whether the terms of a new or amended financial liability are materially different from the terms of the original financial liability. These fees include only those paid or received between the debtor and the lender, including fees paid or received by the debtor or the lender on behalf of others. No such amendment was proposed with regard to IAS 39 Financial Instruments: Recognition and Measurement.

In accordance with the transition rules, the Group applies the amendment to financial liabilities that are amended or exchanged after or at the beginning of the financial year in which the amendment is first applied (date of first application).

This change had no impact on the Group's consolidated financial statements as there were no changes in the Group's financial liabilities during the year.

This amendment had no impact on the Group's consolidated financial statements as the Group did not hold any assets for the purpose of IAS 41 at the reporting date.

IAS 41 Agriculture – Taxation in fair value measurements

The amendment removes the requirements in paragraph 22 of IAS 41 concerning the exclusion of cash flows for taxes when measuring the fair value of an asset for the purpose of IAS 41

4.2 ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS THAT HAVE BEEN ISSUED BUT ARE NOT YET EFFECTIVE

Principles and interpretations that had already been issued but were not yet in force at the date of preparation of the Group's consolidated financial statements are presented below. The Group intends to adopt these principles and interpretations, if applicable, when they become effective.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts, a new comprehensive standard on insurance contracts covering recognition and measurement, presentation and disclosure.
When IFRS 17 comes into force, it will replace IFRS 4 Insurance Contracts, which was issued in 2005. IFRS 17 applies to all types of insurance contracts (e.g. life, non-life, direct insurance, reinsurance) regardless of the type of entity that issues them, as well as to certain guarantees and financial instruments with discretionary participation features.
Limited exceptions will apply. The overall objective of IFRS 17 is to present an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to IFRS 4, which is largely based on maintaining previous accounting policies, IFRS 17 provides a comprehensive model for insurance contracts that covers all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:
– A specific adaptation for contracts with direct participation characteristics (the variable fee approach).
– A simplified approach (the premium allocation approach) mainly for short-term contracts.

IFRS 17 will be effective for financial years beginning on or after 1 January 2023 and will require the presentation of comparative balances. Earlier application is permitted, in which case the entity shall also have adopted IFRS 9 and IFRS 15 on or before the date of the first-time application of IFRS 17. This standard does not apply to the Group.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020 the IASB published amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The changes clarify:
– What is meant by a right of postponement of maturity;
– That the right of subordination must exist at the close of the financial year;
– The classification is not impacted by the likelihood that the entity will exercise its subordination right;
– Only if a derivative embedded in a convertible liability is itself an equity instrument does the maturity of the liability have no impact on its classification.

The amendments will be effective for financial years beginning on or after 1 January 2023, and must be applied retrospectively. The Group is currently assessing the impact the changes will have on the current situation and whether it will be necessary to renegotiate existing loan agreements.

Definition of an accounting estimate – Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of "accounting estimates". The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and correction of errors. Moreover, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period. Early application is permitted provided that this fact is disclosed.

The changes are not expected to have a significant impact on the Group.

Disclosure on accounting principles – Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to assist entities in applying materiality judgements to accounting principle disclosures. The amendments aim to help entities provide more useful accounting principle disclosures by replacing the requirement for entities to disclose their "significant" accounting policies with a requirement to disclose their "material" accounting policies. Furthermore, guidance is added on how entities apply the concept of materiality in making accounting principle disclosure decisions.

The amendments to IAS 1 will apply from financial years starting on or after 1 January 2023, but early application is permitted. Because the amendments to Practice Statement 2 provide non-mandatory guidance on applying the definition of material to accounting principle disclosures, an effective date for those amendments is not required.

The Group is currently evaluating the impact of the changes to determine the impact they will have on the Group's accounting policy disclosures.

Deferred taxes relating to assets and liabilities arising from a single transaction – Amendments to IAS 12

In May 2021, the IASB issued amendments to IAS 12, narrowing the scope of the initial recognition exception included in IAS 12, which is no longer to be applied to those transactions that give rise to taxable and deductible temporary differences in equal measure.

Changes will have to be applied to transactions occurring after or at the beginning of the comparative period presented. Moreover, at the beginning of the comparative period presented, deferred tax assets (if there is sufficient taxable income) and deferred tax liabilities shall be recognised for all deductible and taxable temporary differences associated with leases and restoration provisions.

The Group is currently assessing the impacts of these changes.

There are no other significant accounting standards, amendments or interpretations that have been issued but are not yet effective which might have a significant effect on these consolidated financial statements.

IAS 41 Agriculture – Taxation in fair value measurements

The amendment removes the requirements in paragraph 22 of IAS 41 concerning the exclusion of cash flows for taxes when measuring the fair value of an asset for the purpose of IAS 41

5. TRANSLATION OF FINANCIAL STATEMENTS IN A CURRENCY OTHER THAN THE EURO AND TRANSLATION OF FOREIGN CURRENCY ITEMS

The consolidated financial statements are presented in euros, the functional and presentation currency adopted by the Company. As required by IAS 1, the amounts were represented in thousands of euros.
Each Group entity establishes its own functional currency which it uses to measure the items included in the individual financial statements. Transactions in foreign currency are initially recognised at the exchange rate (referring to the functional currency) at the transaction date. Monetary assets and liabilities denominated in foreign currency are translated into the functional currency at the exchange rate ruling at the balance sheet date.
All exchange differences are recognised in the income statement. Non-monetary items, measured at historic cost in foreign currency, are translated at the exchange rates at the date of the initial recognition of the transaction.
The financial statements of foreign companies being consolidated are translated into euro using the current exchange rate method, under which balance sheet items are translated using the exchange rate at the balance sheet date and income statement items are translated using the average exchange rate for the period.
Translation differences are recognised directly in Shareholders' equity and presented in a separate reserve. On the sale of a foreign company, the cumulative exchange differences in shareholders' equity are recognised in the income statement.
The following table shows the exchange rates used for calculating the amounts in euro that are expressed in foreign currency in the financial statements of subsidiaries (currency amount per euro):

	Average exchange rates		Closing exchange rates	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
US dollar	1.053	1.1827	1.0666	1.1326
Swiss franc	1.0047	1.0811	0.9847	1.0331
Japanese yen	138.0274	129.8767	140.66	130.3800
Renminbi	7.0788	7.6282	7.3582	7.1947
British pound	0.85276	0.8596	0.88693	0.84028
Hong Kong dollar	8.2451	9.1932	8.3163	8.8333
Canadian dollar	1.3695	1.4826	1.444	1.4393
Rouble	74.1716	87.1527	79.2258	85.3004
Singapore dollar	1.4512	1.5891	1.4300	1.5279
Danish krone	7.4396	7.4370	7.4365	7.4364
Taiwan dollar	31.3223	33.0361	32.7603	31.3671
Dirham	3.8673	4.3229	3.9171	4.1595
Kuwait dinar	0.3122	*	0.3266	*

6. COMMENTS ON THE MAIN ITEMS OF THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

6.1 IMPAIRMENT

On each financial closing date, as required by IAS 36 and internal procedures the Group assesses whether there are any indications of loss of value of non-current assets (€ 840.6 million at 31 December 2022), and in particular:
– Goodwill (€ 7.0 million as at 31 December 2021).
– Right-of-use (€ 520.1 million as at 31 December 2022), which also includes compensation paid to the lessee in accordance with industry practice in order to take over a lease contract for a store located in a strategic position (so-called Key Money).
– Intangible assets (€ 14.0 million as at 31 December 2022).

Impairment Test structure

The impairment test starts from the identification of the Cash Generating Unit (CGU) or group of CGUs to which goodwill, property, plant and equipment and intangible assets with finite useful lives of the Group should be allocated. This assessment is complex and requires the application of technical and professional judgement by Management. Taking into account the organisational structure and type of business, the way in which management controls the operations of the Company and the Group, and makes decisions on whether to keep operational or dispose of assets or the group of assets and services that generate economic benefits, in line with previous years and in the absence of organisational and/or structural changes at a Group level, the management has identified the individual legal entities controlled by the Group or the set of assets (including goodwill and usage rights) pertaining to the individual legal entities controlled by the Group as the smallest group of assets capable of generating cash flows that are largely independent of those generated by other assets or groups of assets.

As of 30 June 2022, the directors identified a trigger event for only the OOO Brunello Cucinelli RUS CGU, and therefore the impairment test as of 30 June 2022 was performed for this CGU using a method consistent with the previous years.

Based on the results of the impairment test performed as at 30 June 2022 in these financial statements, the value of Goodwill allocated to CGU OOO Brunello Cucinelli RUS, amounting to € 7,045 thousand, was fully written down.

Instead, with regard to property, plant and equipment and intangible assets with finite useful lives, in accordance with the impairment procedure the Group performed an analysis aimed at assessing the recoverability of the right-of-use assets and intangible and tangible assets attributable to the individual CGUs that showed indicators of impairment as at 31 December 2022.

As at 31 December 2022, management has identified impairment indicators for the following CGUs:
1) OOO Brunello Cucinelli RUS
2) Brunello Cucinelli Hong Kong Ltd.
3) Brunello Cucinelli (Macau) Fashion Co., Ltd.

Management believes that the assets represented by the rights of use do not represent assets capable of generating cash inflows that are largely independent of those deriving from other assets or groups of assets. Therefore, as envisaged by paragraphs 22 and 66 of IAS 36, the determination of the recoverable amount for the purpose of performing impairment tests in the presence of impairment indicators is performed at the level of the smallest Cash-Generating Unit which the asset belongs to (i.e. the individual Cash Generating Unit - CGU). The "rights of use" of each individual CGU are tested for impairment in the presence of a triggering event.

The main assumptions used to calculate the recoverable value include:
– an estimation of future operating flows;
– The Weighted Average Cost of Capital (WACC);
– the nominal long-term growth rate "g";
– The terminal value.

For the CGUs for which management has identified impairment indicators as at 31 December 2022, the impairment test is performed by comparing the net carrying amount of the CGU (intended as the Net Invested Capital in the CGU) with the recoverable amount (intended as the higher of fair value less costs to sell and value in use, as envisaged by paragraphs 18 and 74 of IAS 36). A model based on discounting the expected future cash flows (Discounted Cash Flow – DCF) generated by the CGU was used to estimate the value in use. In line with the provisions of paragraph 75 of IAS 36, the Net Invested Capital in the CGU (legal entities) used for the purpose of the impairment test was appropriately adjusted in order to make it consistent with the recoverable amount.

As required by paragraph 33, point b of IAS 36, the cash flows used to determine value in use are based on the most recent budgets/forecasts approved by management and do not include projections of any cash inflows or outflows that are expected to arise from future restructuring or improvements or enhancements in business performance. In line with industry best practice and international accounting principles, these projections extend to a period not exceeding five years. More specifically, the explicit projection period for CGUs tested for impairment at 31 December 2022 is at least three years, unless the characteristics of the business require a different period. The projections of operating cash flows used for the purposes of the value assessments are based on budgets and plans submitted for approval to the Board of Directors on 06 December 2022 and were prepared on the basis of the most recent economic and financial forecasts available and management's expectations regarding the performance of the markets the subsidiaries operate in. This assessment is complex and requires the application of technical and professional judgement by Management. Specifically, in the forecast of the expected profitability of the CGUs (and monitored at the level of legal entity), which in turn is influenced by the forecast of the traffic and spending of customers in local markets, as well as by the assumptions underlying the calculation of the discount rate and terminal value.

With exclusive reference to the determination of the value in use of the CGU OOO Brunello Cucinelli RUS, we point out that in the definition of the main assumptions underlying the updating of the prospective data – compared to those used to perform the impairment test at 31 December 2021 – elements of prudence were incorporated with respect to the estimate of the economic components to take into account the impact of the conflict, the sanctions in place and the possible resumption of business in the domestic territory, as per ESMA and OIV recommendations.

Taking into account the still very uncertain situation of the conflict and the objective difficulty of defining an unambiguous scenario, a multi-scenario analysis was performed, consistent with the Authorities' instructions.

Furthermore, the parameters used to define the real discount rate contain elements of prudence and result in values that are significantly higher than those estimated as at 31 December 2021, including in particular the use of base rates and risks specific to the OOO Brunello Cucinelli RUS CGU's country of reference estimated as at 31 December 2022 (instead of a normalised average of these rates).

The present value of cash flows for the years explained in the various plans was supplemented by the Terminal Value, calculated according to the perpetual income methodology, at a growth rate "g" that represents the present value at the last forecast year of all expected future cash flows. In this case, Management considered an average growth rate "g" corresponding to the expected long-term nominal growth rate of 2.50% for the purpose of determining the value in use of the Brunello Cucinelli Hong Kong Ltd. CGU and the Brunello Cucinelli (Macau) Fashion, Co., Ltd. CGU. For the purposes of determining the value in use of the OOO Brunello Cucinelli RUS CGU, the growth rate "g" was assumed to be 1.78% based on the estimates of medium to long-term GDP for the country provided by an external provider.

For the purpose of discounting cash flows and terminal value, management used a discount rate equal to the Weighted Average Cost of Capital (WACC) which, as required by paragraph 55 of IAS 36, takes into account the time value of money and the risks specific to the business for which estimates of future cash flows have not been adjusted.

The following table provides details of discount rates by CGU:
- Brunello Cucinelli Hong Kong Ltd.: 8.1%
- Brunello Cucinelli (Macau) Fashion Co., Ltd.: 8.1%
- OOO Brunello Cucinelli RUS: 19.6% for the explicit forecast period, 8.1% for the discounting of the Terminal Value to bring it in line with the long-term outlook of the CGU, once the current situation of maximum volatility has passed.

These discount rates, net of the tax effect, were considered adequate to reflect the cost of money and the specific risk related to operations, also taking into account the country risk. As in previous years, a "full equity" structure was considered for the test.

Effects of the impairment test at the reporting date

The impairment tests performed did not reveal any impairment losses as at 31 December 2022 other than the full write-down of the value of Goodwill allocated to the OOO Brunello Cucinelli RUS CGU, amounting to € 7,045 thousand.

Sensitivity analysis of the impairment test

Sensitivity analyses were carried out on the impairment tests, simulating a change in the growth rate "g" equal to ±0.5% and a change in the WACC equal to ±0.5%. These sensitivity tests did not reveal results that were significantly different from the results of the impairment test.

Note 1. Goodwill

The item Goodwill, which amounted to € 7,045 thousand as at 31 December 2021, attributable to the business combination in 2017 for the acquisition of 62% of the company OOO Brunello Cucinelli RUS, was fully written down on the basis of the impairment test performed.

For further details, see Section 6.1 Impairment of these Notes to the financial statements.

Note 2. Right of use

The composition of Right-of-use assets at 31 December 2022 with comparative figures at 31 December 2021 is as follows:

(In thousands of euros)	31 December 2022	31 December 2021	Change
Right to use property	519,454	504,551	14,903
Right to use equipment	221	261	(40)
Right to use other tangible fixed assets	391	156	235
Total right-of-use assets	**520,066**	**504,968**	**15,098**

Details of historical cost, accumulated depreciation and net book value of right-of-use assets at 31 December 2022 with comparative figures at 31 December 2021 are as follows:

(In thousands of euros)	31 December 2022			31 December 2021		
	Cost	Accumulated depreciation	Net value	Cost	Accumulated depreciation	Net value
Right to use property	932,551	(413,097)	519,454	844,350	(339,799)	504,551
Right to use equipment	281	(60)	221	281	(20)	261
Right to use other tangible fixed assets	631	(240)	391	314	(158)	156
Total right-of-use assets	**933,463**	**(413,397)**	**520,066**	**844,945**	**(339,977)**	**504,968**

Right-of-use assets at 31 December 2022 amounted to € 520,066 thousand and mainly relate to leases for spaces in the Group's boutiques and showrooms, and to a residual extent to leases for offices and logistics, equipment and other assets. This item also includes Key Money paid by the Group as it is classified as an initial direct cost of leases according to IFRS 16.

The following tables show changes in the net book value of right-of-use assets for the years ended 31 December 2022 and 31 December 2021:

(In thousands of euros)	**Right to use property**	**Right to use equipment**	**Right to use other tangible fixed assets**	**Total right-of-use assets**
Balance as at 1 January 2022	**504,551**	**261**	**156**	**504,968**
Increases	110,786	-	470	111,256
Net decreases	(15,865)	-	-	(15,865)
Translation differences	10,709	-	-	10,709
Entry during the year	-	-	-	-
Value adjustments	-	-	-	-
Reclassifications	-	-	-	-
Change in scope of consolidation	-	-	-	-
Depreciation	(90,727)	(40)	(235)	(91,002)
Balance at 31 December 2022	**519,454**	**221**	**391**	**520,066**

(In thousands of euros)	**Right to use property**	**Right to use equipment**	**Right to use other tangible fixed assets**	**Total right-of-use assets**
Balance at 1 January 2021	**470,040**	**-**	**157**	**470,197**
Increases	98,174	281	144	98,599
Net decreases	(6,727)	-	(10)	(6,737)
Translation differences	22,543	-	-	22,543
Entry during the year	-	-	-	-
Value adjustments	-	-	-	-
Reclassifications	2	-	-	2
Change in scope of consolidation	1,684	-	-	1,684
Depreciation	(81,165)	(20)	(135)	(81,320)
Balance at 31 December 2021	**504,551**	**261**	**156**	**504,968**

The main increases during 2022 relate to new lease agreements entered into in the year for opening new boutiques, hard shops, expanding monobrand points of sale and conversions of the wholesale channel.

No value adjustments arose during the year. For more information see section 6.1.

Note 3. Intangible assets

The composition of intangible assets at 31 December 2022 with comparative figures at 31 December 2021 is as follows:

(In thousands of euros)	31 December 2022	31 December 2021	Change
Concessions, licences, trademarks and similar rights	11,213	10,061	1,152
Other intangible fixed assets	306	641	(335)
Assets under construction and advances	2,451	2,368	83
Total intangible assets	**13,970**	**13,070**	**900**

Details of historical cost, accumulated amortisation and the net book value of intangible assets at 31 December 2022 with comparative figures at 31 December 2021 is as follows:

(In thousands of euros)	31 December 2022			31 December 2021		
	Cost	Accumulated depreciation	Net value	Cost	Accumulated depreciation	Net value
Concessions, licences, trademarks and similar rights	42,840	(31,627)	11,213	35,293	(25,232)	10,061
Other intangible fixed assets	1,721	(1,415)	306	1,722	(1,081)	641
Assets under construction and advances	2,451	-	2,451	2,368	-	2,368
Total intangible assets	**47,012**	**(33,042)**	**13,970**	**39,383**	**(26,313)**	**13,070**

Intangible assets amounted to € 13,970 thousand at 31 December 2022 and consisted principally of concessions, licenses, trademarks and similar rights for software used in IT and Digital activities to support the business through the renovation and modernisation of the Group's technological platforms, in particular those for the e-commerce website and for digital sales.

The following tables show changes in the net book value of intangible assets for the years ended 31 December 2022 and 31 December 2021:

(In thousands of euros)	Concessions, licences, trademarks and similar rights	Other intangible fixed assets	Assets under construction and advances	Total intangible assets
Balance as at 1 January 2022	**10,061**	**641**	**2,368**	**13,070**
Increases	5,531	-	1,970	7,501
Net decreases	-	-	-	-
Translation differences	35	-	-	35
Value adjustments	-	-	-	-
Reclassifications	1,887	-	(1,887)	-
Change in scope of consolidation	-	-	-	-
Depreciation	(6,301)	(335)	-	(6,636)
Balance at 31 December 2022	**11,213**	**306**	**2,451**	**13,970**

(In thousands of euros)	Concessions, licences, trademarks and similar rights	Other intangible fixed assets	Assets under construction and advances	Total intangible assets
Balance at 1 January 2021	**8,549**	**1,012**	**2,575**	**12,136**
Increases	3,947	-	2,303	6,250
Net decreases	-	-	-	-
Translation differences	41	3	-	44
Value adjustments	-	-	-	-
Reclassifications	2,510	(39)	(2,510)	(39)
Change in scope of consolidation	-	-	-	-
Depreciation	(4,986)	(335)	-	(5,321)
Balance at 31 December 2021	**10,061**	**641**	**2,368**	**13,070**

Investments for 2022 amounted to € 7,501 thousand, of which € 7,150 thousand related to the renewal project of Information Technology and IT/Digital systems, accounted for € 5,215 thousand under “Concessions, licences, trademarks and similar rights” and for € 1,935 thousand under “Assets under construction and advances”.

No value adjustments arose during the year. For more information see Section 6.1.

Note 4. Property, plant and equipment

The composition of Property, plant and equipment at 31 December 2022 with comparative figures at 31 December 2021 is as follows:

(In thousands of euros)	31 December 2022	31 December 2021	Change
Land	17,303	7,974	9,329
Buildings	41,857	40,732	1,125
Leasehold improvements	78,933	75,572	3,361
Plant and machinery	4,878	4,471	407
Industrial and commercial equipment	1,783	2,584	(801)
Other assets	36,315	32,558	3,757
Assets under construction and advances	7,623	2,142	5,481
Total property, plant and equipment	**188,692**	**166,033**	**22,659**

Details of historical cost, accumulated depreciation and the net book value of property, plant and equipment at 31 December 2022 with comparative figures at 31 December 2021 are as follows:

(In thousands of euros)	31 December 2022			31 December 2021		
	Cost	**Accumulated depreciation**	**Net value**	**Cost**	**Accumulated depreciation**	**Net value**
Land	17,303	-	17,303	7,974	-	7,974
Buildings	57,294	(15,437)	41,857	54,542	(13,810)	40,732
Leasehold improvements	180,335	(101,402)	78,933	158,461	(82,889)	75,572
Plant and machinery	17,388	(12,510)	4,878	15,686	(11,215)	4,471
Industrial and commercial equipment	16,109	(14,326)	1,783	15,742	(13,158)	2,584
Other assets	75,376	(39,061)	36,315	61,992	(29,434)	32,558
Assets under construction and advances	7,623	-	7,623	2,142	-	2,142
Total property, plant and equipment	**371,428**	**(182,736)**	**188,692**	**316,539**	**(150,506)**	**166,033**

Property, plant and equipment at 31 December 2022 amounted to € 188,692 thousand and consisted mainly of the value of buildings used for the production and logistics of the main headquarters, the improvements made to leased stores, as well as equipment, plant and equipment used for production and logistics and for store furnishings.

The following table sets out the changes in the net book value of Property, plant and equipment for the year ended 31 December 2022 and 31 December 2021:

(In thousands of euros)	**Land**	**Buildings**	**Leasehold improvements**	**Plant and machinery**	**Industrial and commercial equipment**	**Other assets**	**Assets under construction and advances**	**Total property, plant and equipment**
Balance as at 1 January 2022	**7,974**	**40,732**	**75,572**	**4,471**	**2,584**	**32,558**	**2,142**	**166,033**
Increases	8,664	2,644	21,041	1,582	670	12,782	7,657	55,040
Net decreases	-	-	-	(9)	(5)	(159)	(13)	(186)
Translation differences	-	-	1,661	74	17	547	(24)	2,275
Value adjustments	-	-	(411)	-	-	(32)	-	(443)
Reclassifications	665	108	787	-	16	717	(2,139)	154
Change in scope of consolidation	-	-	-	-	-	-	-	-
Depreciation	-	(1,627)	(19,717)	(1,240)	(1,499)	(10,098)	-	(34,181)
Balance at 31 December 2022	**17,303**	**41,857**	**78,933**	**4,878**	**1,783**	**36,315**	**7,623**	**188,692**

(In thousands of euros)	Land	Buildings	Leasehold improvements	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction and advances	Total property, plant and equipment
Balance at 1 January 2021	**7,280**	**42,071**	**66,136**	**3,412**	**2,941**	**24,849**	**3,565**	**150,254**
Increases	288	924	22,519	1,868	1,978	13,271	1,938	42,786
Net decreases	-	-	(907)	(18)	(13)	(70)	(5)	(1,013)
Translation differences	-	-	3,244	81	92	1,598	116	5,131
Value adjustments	(318)	(635)	(686)	(2)	(30)	(78)	-	(1,749)
Reclassifications	724	-	1,704	201	360	520	(3,472)	37
Change in scope of consolidation	-	-	161	-	-	6	-	167
Depreciation	-	(1,628)	(16,599)	(1,071)	(2,744)	(7,538)	-	(29,580)
Balance at 31 December 2021	**7,974**	**40,732**	**75,572**	**4,471**	**2,584**	**32,558**	**2,142**	**166,033**

In 2022, the Brunello Cucinelli Group made investments in property, plant and equipment of € 55,040 thousand consisting of the following:

– Investments for a total of € 8,664 thousand in the item "Land", mainly related to the purchase of a large area just outside Solomeo where the expansion of our production site in under way.
– Investments totalling € 2,644 thousand under "Buildings", mainly related to the expansion and functionality of the industrial hub of Solomeo.
– Investments of € 21,041 thousand in "Leasehold improvements", principally due to the openings and expansion of DOSs and wholesale points of sale and improvements to existing boutiques and showrooms throughout the world.
– Investments totalling € 15,034 thousand, of which € 1,582 thousand recognised under "Plant and machinery" (mainly referring to new machinery for production), € 670 thousand under "Industrial and commercial equipment" (mainly referring to investments made at sales points as well as at Solomeo headquarters), € 12,782 thousand under "Other assets" (mainly referring to investments in furniture and furnishings at sales points, as well as for ordinary development and upgrading of machinery, furniture and furnishings, vehicles and equipment and the "historical collection" at the headquarters in Solomeo).
– Additional investments recognised in "Assets under construction and advances" totalling € 7,657 thousand, mainly relating to the work carried out in setting up points of sale.

Investments in IT/Digital amounted to € 2,070 thousand in 2022 and refer to tangible fixed assets.

"Value adjustments" at 31 December 2022 amounted to € 443 thousand, while at 31 December 2021 they amounted to € 1,749 thousand.

Note 5. Investment property

The composition of investment property at 31 December 2022 with comparative figures at 31 December 2021 is as follows:

(In thousands of euros)	31 December 2022	31 December 2021	Change
Investment property	7,223	6,593	630
Total investment property	**7,223**	**6,593**	**630**

This item, amounting to € 7,223 thousand, relates to property complexes and building land located in Solomeo, managed with the aim of being restored and subsequently leased, an activity started in 2021.

The table below shows changes in the net book value of investment properties for the year ended 31 December 2022:

(In thousands of euros)	Total investment property
Balance as at 1 January 2022	**6,593**
Increases	910
Net decreases	-
Translation differences	-
Value adjustments	-
Reclassifications	(154)
Change in scope of consolidation	-
Depreciation	(126)
Balance at 31 December 2022	**7,223**

Note 6. Non-current and current financial assets for leases

This item includes active subleases identified as "financial leases" that have been classified and accounted for as financial assets for investment.

This item was as follows at 31 December 2022:

(In thousands of euros)	Non-current	Current	Total at 31 December 2022
Financial assets for leases	5,633	2,628	8,261
Total financial assets for leases	**5,633**	**2,628**	**8,261**

Changes for the years ended 31 December 2022 and 31 December 2021 are as follows:

(In thousands of euros)	**Total financial assets for leases**
Balance as at 1 January 2022	**6,519**
Increases for new leases	4,435
Decreases for early termination of leases	-
Increases for interest income	51
Decreases for cash received	(2,744)
Foreign exchange gains/(losses)	-
Reclassifications	-
Translation differences	-
Balance at 31 December 2022	**8,261**

(In thousands of euros)	**Total financial assets for leases**
Balance at 1 January 2021	**575**
Increases for new leases	8,262
Decreases for early termination of leases	(400)
Increases for interest income	18
Decreases for cash received	(1,936)
Foreign exchange gains/(losses)	-
Reclassifications	-
Translation differences	-
Balance at 31 December 2021	**6,519**

Note 7. Other non-current financial assets

The composition of other non-current financial assets at 31 December 2022 with comparative figures at 31 December 2021 is as follows:

(In thousands of euros)	**31 December 2022**	**31 December 2021**	**Change**
Guarantee deposits and other financial receivables	16,540	13,538	3,002
Equity investments in associate companies	22,083	-	22,083
Total other non-current financial assets	**38,623**	**13,538**	**25,085**

The item Other non-current financial assets includes € 16,540 thousand, mainly referring to guarantee deposits related to the sums paid by the Brunello Cucinelli Group in connection with the stipulation of lease agreements for monobrand shops, which increased due to new lease agreements. This item also includes € 22,083 thousand relative to the investment in the associate company Cariaggi Lanificio S.p.A.

On 14 March 2022, Brunello Cucinelli S.p.A. acquired a 43% shareholding in Cariaggi Lanificio S.p.A. at a price of € 15,050 thousand.

As required by IAS 28 for shareholdings in associated companies, the shareholding was valued using the equity method, recording an increase in value of € 7,033 thousand.

Note 8. Inventories

The composition of inventories at 31 December 2022 with comparative figures at 31 December 2021 is as follows:

(In thousands of euros)	**31 December 2022**	**31 December 2021**	**Change**
Raw and consumable materials	47,899	36,923	10,976
Work in progress and semi-finished goods	11,929	8,205	3,724
Finished goods and merchandise	226,502	185,758	40,744
Inventory write-down reserve	(43,486)	(31,620)	(11,866)
Total inventories	**242,844**	**199,266**	**43,578**

Reference should be made to the Report on Operations of the Board of Directors for comments on this item.

Note 9. Trade receivables

Trade receivables at 31 December 2022 amounted to € 76,608 thousand compared with € 72,809 thousand at 31 December 2021. For a comment on the changes in Net Working Capital, see the Board of Directors' Report on Operations.

Trade receivables represent amounts due for the supply of goods and services and are all collectible in the short term, which means that their carrying amount is effectively their fair value at the date of preparation of these financial statements.
The amount by which receivables in the financial statements have been written down is a reasonable estimate of the impairment arising from the specific non-collectability risk identified in these receivables, as well as the expected loss in value.

Changes in the allowance for bad and doubtful debts during the year ended 31 December 2022 compared with the previous year are as follows:

(In thousands of euros)	**2022**	**2021**
Value at 1 January	**3,249**	**2,278**
Allocations	836	1,135
Uses	(521)	(190)
Exchange differences	22	26
Value at 31 December	**3,586**	**3,249**

Allocations and utilisations for the year are included under the item "Value adjustments to assets and other provisions" in the income statement.

In 2022, losses were recorded on receivables in the income statement for a total of € 336 thousand, which together with the uses of the provision for bad debts represented 0.09% of Revenues for the year (0.04% in the previous year).

The situation regarding overdue balances is illustrated in the usual ageing table:

	Situation at 31 December	
Overdue by:	**2022**	**2021**
0-90 days	5,639	3,880
91-180 days	2,577	3,138
More than 180 days	2,096	4,047
TOTAL	**10,312**	**11,065**

The change in the balances on overdue receivables highlights the rebalancing that has now been fully achieved, compared to the payment extensions granted during the pandemic.

Note 10. Tax receivables

The composition of Tax receivables at 31 December 2022 with comparative figures at 31 December 2021 is as follows:

(In thousands of euros)	31 December 2022	31 December 2021	Change
IRES corporate income tax receivables	43	6	37
IRAP regional production tax receivables	8	1	7
Other tax receivables	3,728	1,728	2,000
Total tax receivables	**3,779**	**1,735**	**2,044**

Tax receivables at 31 December 2022 amounted to € 3,779 thousand, mainly attributable to "Other tax receivables". The balance refers to tax receivables recognised by the Group's foreign companies. Among these, the main amounts refer to the receivable generated by the higher advance payments with respect to the balance of income taxes for the year paid by the American subsidiary Brunello Cucinelli Usa Inc. and Brunello Cucinelli (Sichuan) Fashion Co., Ltd.

Note 11. Other current receivables and assets

The composition of other receivables and other current assets at 31 December 2022 with comparative figures at 31 December 2021 is as follows:

(In thousands of euros)	31 December 2022	31 December 2021	Change
Tax receivables	9,820	11,144	(1,324)
Credit card receivables	8,223	5,466	2,757
Prepayments and accrued income	7,699	5,148	2,551
Advances to suppliers	1,590	1,515	75
Other receivables	5,018	5,737	(719)
Total other receivables and current assets	**32,350**	**29,010**	**3,340**

Tax receivables amounted to € 9,820 thousand at 31 December 2022 compared to € 11,144 thousand at 31 December 2021.
The item mainly refers to VAT receivables recognised by the parent company and subsidiaries.

Credit cards receivables amounted to € 8,223 thousand at 31 December 2022 compared to € 5,466 thousand at 31 December 2021. The amount refers to payments received through credit cards, which occurred before the end of the year but have not yet been credited to current accounts.

Accrued income and prepaid expenses are attributable to various types of advance payments, which can be summarised in the following types: advance costs for the production of catalogues relating to the Spring/Summer collection and which will be delivered for use in the following half of the year, advance payments for rents, utilities, insurance premiums and, with increasing importance, fees relating to IT/digital management. Concerning the latter, advance multi-year fees amounted to € 3,770 thousand at 31 December 2022, an increase of € 1,800 thousand compared to 31 December 2021.

Advances to suppliers are mainly paid to the production chain, especially third-party manufacturers for the external production of Group products.

Note 12. Other current financial assets

The item Other current financial assets as at 31 December 2022 amounted to € 108 thousand, while as at 31 December 2021 it amounted to € 80 thousand. This refers to short-term financial assets, including prepaid expenses on financial commissions.

Note 13. Cash and cash equivalents

The composition of cash and cash equivalents at 31 December 2022 with comparative figures at 31 December 2021 is as follows:

(In thousands of euros)	31 December 2022	31 December 2021	Change
Bank and postal deposits	116,272	97,451	18,821
Cash in hand	756	525	231
Cheques	372	27	345
Total cash and cash equivalents	**117,400**	**98,003**	**19,397**

The above amounts can be readily converted into cash, they are not liable to constraints or restrictions and are subject to an insignificant risk of change in value. The Brunello Cucinelli Group believes that the credit risk related to cash and cash equivalents is limited because this item mostly refers to deposits in various leading domestic and foreign banks.

Reference should be made to the cash flow statement for details of the sources and applications that generated changes in cash and cash equivalents in the year ended 31 December 2022 compared to those of the previous year.

Note 14. Derivative financial instruments

The Brunello Cucinelli Group enters into certain derivative contracts to hedge the interest rate risk on its bank debt and the exchange risk on sales made in currencies other than the euro.

The Parent Company only takes out these contracts for hedging purposes as the Group’s financial management policy does not permit trading in financial instruments for speculative purposes. Derivative financial instruments meeting the requirements of international accounting standards are accounted for using hedge accounting. Changes in the fair value of derivative financial instruments not qualifying for hedge accounting under international accounting standards are recognised in profit or loss in the relevant reporting period.

The interest rate and currency derivatives used by the Company are over-the-counter (OTC) instruments, meaning those negotiated bilaterally with market counterparties, and the determination of the relative current value is based on valuation techniques that use input parameters (such as rate curves, foreign exchange rates, etc.) observable on the market (Level 2 of the fair value hierarchy envisaged by IFRS 7).

The following is noted for outstanding financial instruments at 31 December 2022:
– all financial instruments at fair value form part of Level 2 (the same situation existed in 2021);
– there have been no transfers from Level 1 to Level 2 or vice versa in 2022;
– There have been no transfers from Level 3 to other levels or vice versa in 2022.

Derivatives are measured by taking as a reference the interest rates and yield curves observable at commonly quoted intervals.

Details of the composition of “Current derivative financial instruments – assets” and “Current derivative financial instruments – liabilities” at 31 December 2022 are set out below, with comparative figures at 31 December 2021:

(In thousands of euros)	**31 December 2022**	**31 December 2021**	**Change**
Current assets for derivative instruments hedging currency risk	5,359	161	5,198
Current assets for derivative instruments hedging interest rate risk:			
- Current assets for derivative instruments hedging interest risk accounted for using hedge accounting	1,267	-	1,267
- Current assets for derivative instruments hedging interest risk not accounted for using hedge accounting	-	-	-
Total derivative financial instruments – current assets	**6,626**	**161**	**6,465**
Non-current assets for derivative instruments hedging currency risk	-	-	-
Non-current assets for derivative instruments hedging interest rate risk:			
- Non-current assets for derivative instruments hedging interest risk accounted for using hedge accounting	1,101	125	976
- Non-current assets for derivative instruments hedging interest rate risk not accounted for using hedge accounting	-	-	-
Total derivative financial instruments – non-current assets	**1,101**	**125**	**976**
Current liabilities for derivative instruments hedging currency risk	(3,978)	(6,721)	2,743
Current liabilities for derivative instruments hedging interest rate risk:			
- Current liabilities for derivative instruments hedging interest risk accounted for using hedge accounting	-	(233)	233
- Current liabilities for derivative instruments hedging interest risk not accounted for using hedge accounting	-	-	-
Total derivative financial instruments – current liabilities	**(3,978)**	**(6,954)**	**2,976**
Non-current liabilities for derivative instruments hedging currency risk	-	-	-
Non-current liabilities for derivative instruments hedging interest rate risk:			
- Non-current liabilities for derivative instruments hedging interest risk accounted for using hedge accounting	-	-	-
- Non-current liabilities for derivative instruments hedging interest rate risk not accounted for using hedge accounting	-	-	-
Total derivative financial instruments – non-current liabilities	**-**	**-**	**-**

The contractual characteristics of derivative financial instruments used to hedge interest risk and their relative fair values at 31 December 2022 and 31 December 2021 are as follows:

Derivatives on interest rate risk accounted for using hedge accounting

(In thousands of euros)	31 December 2022		31 December 2021	
	Current portion	Non-current portion	Current portion	Non-current portion
Derivative assets/(liabilities)	1,267	1,101	(233)	125
Total fair value of IRS	**1,267**	**1,101**	**(233)**	**125**

The contractual characteristics of derivative financial instruments used to hedge currency risk and their relative fair value at 31 December 2022 and 31 December 2021 are as follows:

(In thousands of euros)	*Negative fair value*		Positive fair value	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Derivative assets/(liabilities)	(3,978)	(6,721)	5,359	161
Total fair value foreign currency forward contracts	**(3,978)**	**(6,721)**	**5,359**	**161**

The following table shows the book value of the financial instruments in existence (current loans and non-current loans) shown in the balance sheet, comparing them with their fair value:

(In thousands of euros)	31 December 2022 Fair Value	31 December 2022 Book value
Current and non-current loans	75,413	77,550

As required by IFRS 13 a calculation was made of the credit value adjustment and debit value adjustment for the outstanding derivative financial instruments, but the result obtained was not material in terms of recognizing the effects in the financial statements.

Note 15. Capital and reserves

The share capital at 31 December 2022 amounted to € 13,600 thousand, fully paid, consisting of 68,000,000 ordinary shares.

Shareholders' equity at 31 December 2022 amounted to € 392,976 thousand, up € 70,576 thousand compared to 31 December 2021.

Details of changes in equity for the periods ended 31 December 2022 and 31 December 2021 can be found in the consolidated statement of changes in equity.

The share premium reserve amounts to € 57,915 thousand and is stated net of the listing costs incurred in 2012, which were deducted from shareholders' equity pro rata to the ratio between the number of new shares issued and the number of shares in existence following the IPO, in accordance with IAS 32.

Other equity reserves at 31 December 2022 with comparative figures at 31 December 2021 were as follows:

(In thousands of euros)	**31 December 2022**	**31 December 2021**	**Change**
Legal reserve	2,720	2,720	-
Extraordinary reserve	265,368	232,948	32,420
Revaluation reserve	3,060	3,060	-
Cash flow hedge reserve	7,014	(2,623)	9,637
IFRS first-time adoption reserve	(782)	(782)	-
IAS 19 effects reserve	(632)	(561)	(71)
Translation reserve	2,339	2,168	171
Stock grant reserve	5,523	-	5,523
Merger surplus reserve	-	-	-
Other reserves	-	-	-
Consolidated retained profits/(losses)	(54,181)	(45,626)	(8,555)
Total other reserves	**230,429**	**191,304**	**39,125**

Note that the change in the “Extraordinary Reserve” amounting to € 32,420 thousand refers to the allocation of the profit for the year, as resolved by the Shareholders’ Meeting on 27 April 2022.

The change in the cash flow hedge reserve of € 9,637 thousand reflects the items presented in the comprehensive income statement.

The translation reserve consists of the accumulated exchange differences arising from the translation of foreign financial statements expressed in a currency other than the euro, as well as the exchange differences generated by intercompany loans for which settlement is not planned nor likely to occur in the foreseeable future. As such it is classified and recognised initially in a separate component of equity in accordance with paragraph 15 of IAS 21 “Net Investment in a Foreign Operation”.

With regard to the “Stock grant reserve”, note that on 10 March 2022 the Board of Directors of Brunello Cucinelli S.p.A. approved the 2022-2024 stock grant plan (the “Plan”) submitted for subsequent approval by the Ordinary Shareholders’ Meeting on 27 April 2022.
The Plan provides for the free allocation of shares to executive directors and employees of the Company and its subsidiaries if certain performance targets are achieved. Treasury shares of the Parent Company, the purchase of which was authorised by the Company’s Ordinary Shareholders’ Meeting on 27 April 2022, will be used to service the Plan. As required by IFRS 2, equity-settled stock grant plans are measured at fair value through profit or loss under personnel costs over the period from the grant date to the vesting date, with an offsetting entry in an equity reserve. The determination of the fair value of stock grants is made on the grant date, reflecting the market conditions existing on that date.

For information on the documents relating to the Plan, see the Governance section of the Company’s website at www.brunellocucinelli.it.

Shareholders’ equity attributable to non-controlling interests was € 10,433 thousand at 31 December 2022 compared to € 6,259 thousand in the previous year and represents minority interests in the Group’s subsidiaries.

Note 16. Post-employment benefits

This item consists exclusively of the termination indemnity due to employees of the Group's Italian companies. The liability is set aside by law and discounted to present value by the means described in IAS 19.

The table below shows changes in liabilities for employee benefits at 31 December 2022 compared with changes in the previous year:

(In thousands of euros)	**2022**	**2021**
Present value of the obligation at the beginning of the year	**3,044**	**3,108**
Revaluation of employee severance indemnity	279	169
Benefits paid	(200)	(204)
Financial (income)/expense	(146)	(90)
Exchange differences	(7)	(2)
Remeasurement of defined benefit plans (IAS 19)	90	63
Present value of the obligation at year end	**3,060**	**3,044**

The item "Remeasurement of defined benefit plans (IAS 19)" reflects the items presented in the comprehensive income statement.

The main assumptions used in the calculation of the present value of the Italian employees' termination indemnity were as follows:

Financial assumptions

	31 December 2022	**31 December 2021**
Annual discount rate	2.15%	0.23%
Inflation rate	4.00%	0.50%
Expected staff turnover rate	8.80%	8.80%
Advances rate	1.00%	1.00%

Demographic assumptions

	31 December 2022	**31 December 2021**
Mortality	TABLE RG48	
Retirement age	65 years	

Turnover rate and advances on the employees' termination indemnity

	31 December 2022	**31 December 2021**
Advances rate %	1.00%	1.00%
Turnover rate %	8.80%	8.80%

Note that the Company performed a sensitivity analysis on the actuarial assumptions used to determine the liability at 31 December 2022. Specifically, under the same conditions, a change of +10% in the discount rate used would result in a decrease in the balance of the liability equal to € 61 thousand, while a change of -10% would result in an increase in the balance of the liability equal to € 63 thousand.

Workforce

The following table sets out the average number of employees by category, expressed in terms of full time equivalent:

	31 December 2022	31 December 2021
Executives and managers	82.6	75.0
Office and sales staff	1,624.7	1,543.3
Blue-collar workers	601.0	541.8
Total workforce	**2,308.3**	**2,160.1**

Note 17. Provisions for risks and charges

Provisions for risks and charges mainly relate to the agents' supplementary termination indemnity provision, calculated in accordance with Italian legislation (Article 1751-*bis* of the Italian Civil Code) and discounted to present value as required by IAS 37.

The following table sets out the changes in provisions for risks and charges for the period ended 31 December 2022 with comparative figures for the year ended 31 December 2021:

(In thousands of euros)	2022	2021
Agents' supplementary termination indemnity – value at 1 January	**1,808**	**445**
Allocations	260	959
Uses	-	(664)
Actuarial (gains)/losses	(108)	1,068
Agents' supplementary termination indemnity – balance at year end	**1,960**	**1,808**
Other provisions for risks - value at 1 January	**592**	**492**
Exchange differences	34	40
Allocations	429	77
Uses	-	(17)
Other provisions for risks - value at year end	**1,055**	**592**
Total provisions for risks and charges	**3,015**	**2,400**

Changes in uses during 2022 relate to early termination of the contractual relationship with some agents, and to the adjustment of the agents' supplementary termination indemnity provision of existing contractual relationships.

The discount rate used in the actuarial calculation of the provision for agents' severance indemnity was 2.18%, compared to 0.22% last year.

Note 18. Non-current bank debt

Non-current bank debt consists of long-term loans.

The following table provides details of the Brunello Cucinelli Group's outstanding loans at 31 December 2022, showing the portion due within 12 months, between 1 and 5 years and after 5 years:

(In thousands of euros)	**Balance at 31 December 2022**	**Share within next year**	**Share within 5 years**	**Share after 5 years**
Total medium-/long-term loans	77,550	31,164	46,386	-
Total non-current bank debt	**46,386**			

Financial covenants exist on certain of these loans. These are calculated on an annual basis by making reference to the consolidated financial statements of Brunello Cucinelli S.p.A. The financial covenants are based on the ratio (Net Financial Indebtedness/Shareholders' Equity) or (Net Financial Indebtedness/EBITDA). As of 31 December 2022, all financial covenants have been met.

Reference should be made to the "Liquidity risk" section in the "Financial risk management" paragraph of these Notes for details of the repayment plan for all outstanding loans.

Finally note that the payables specified are not encumbered by collateral on company assets.

Note 19. Financial liabilities for current and non-current leases

The application of the IFRS 16 accounting standard results in the recognition of a financial liability consisting of the present value of residual future payments. The balance at 31 December 2022 breaks down as follows:

(In thousands of euros)	**Non-current**	**Current**	**Total at 31 December 2022**
Financial liabilities for leases	474,931	90,066	564,997
Total financial liabilities for leases	**474,931**	**90,066**	**564,997**

Changes for the years ended 31 December 2022 and 31 December 2021 are as follows:

(In thousands of euros)	**Total financial liabilities for leases**
Balance as at 1 January 2022	**549,363**
Increases for new leases	112,494
Decreases for early termination of leases	(13,139)
Increases for interest expense	11,753
Decreases for payments made	(107,231)
Foreign exchange gains/(losses)	(1,665)
Translation differences	13,422
Balance at 31 December 2022	**564,997**

(In thousands of euros)	**Total financial liabilities for leases**
Balance at 1 January 2021	**512,368**
Increases for new leases	102,741
Decreases for early termination of leases	(6,881)
Increases for interest expense	10,578
Decreases for payments made	(94,567)
Foreign exchange gains/(losses)	(1,236)
Translation differences	26,360
Balance at 31 December 2021	**549,363**

Net financial debt

The following table provides details of the net financial debt of the Brunello Cucinelli Group at 31 December 2022 compared to the situation at 31 December 2021, restated in accordance with the format required by Consob Reminder no. 5/21 of 29 April 2021 "Compliance with ESMA Guidelines on disclosure obligations pursuant to the prospectus regulation":

(In thousands of euros)	31 December 2022	31 December 2021
A. Cash and cash equivalents	(117,400)	(98,003)
B. Means equivalent to cash and cash equivalents	-	-
C.1. Other current financial assets	(108)	(80)
C.2. Other current financial liabilities for leases	(2,628)	(2,633)
D. Cash and cash equivalents (A+B+C)	**(120,136)**	**(100,716)**
E.1. Current financial debt	45,854	10,934
E.2. Current financial debt for leases	90,066	79,610
F. Current portion of non-current financial debt	31,164	35,324
G. Current financial debt (E+F)	**167,084**	**125,868**
H. Net current financial debt (G+D)	**46,948**	**25,152**
I.1. Non-current financial debt	47,637	74,854
I.2. Non-current financial debt for leases	474,931	469,753
J. Debt instruments	-	-
K. Trade payables and other non-current payables	-	-
L. Non-current financial debt (I+J+K)	**522,568**	**544,607**
M. Total financial debt (H+L)	**569,516**	**569,759**
of which:		
Net financial debt for the core business	*7,147*	*23,029*
Payables for leases	*562,369*	*546,730*

For a comment, see the Report on Operations of the Board of Directors.

As required by IAS 7 Cash Flow Statements, the following table sets out changes in liabilities deriving from financing activities:

(In thousands of euros)			Non-monetary flows			
	31 December 2021	Monetary flows	Change in exchange rates	*Change in fair value*	Other	31 December 2022
Non-current bank payables	73,676	(31,501)	-	-	4,211	46,386
Other non-current financial payables	1,178	-	73	-	-	1,251
Current portion of non-current debt	35,324	-	-	-	(4,160)	31,164
Current and non-current lease liabilities	549,363	(107,231)	11,757	-	111,108	564,997
Other current financial payables	10,934	34,935	-	(233)	218	45,854
Current financial assets	(80)	-	-	-	(28)	(108)
Current financial liabilities for leases	(2,633)	2,744	-	-	(2,739)	(2,628)
Cash and cash equivalents	(98,003)	(18,744)	(653)	-	-	(117,400)
Net debt	**569,759**	**(119,797)**	**11,177**	**(233)**	**108,610**	**569,516**

It should be noted that the column "Monetary flows" indicates the flows of the statement of consolidated financial statements, while the column "Other" mainly refers to the effects of reclassification from the "non-current" portion to the "current" portion of outstanding loans, as well as, with respect to the row "Current and non-current financial liabilities for leases", to the amount generated by the effects of increases, decreases and discounted interest relating to contracts falling within the scope of IFRS 16.

Note 20. Non-current financial payables

The item Non-current financial payables, amounting to € 1,251 thousand at 31 December 2022, refers to the loan payable, for its share, by the shareholder Al Tayer to the subsidiary Brunello Cucinelli Middle East LLC, a loan that for the proportional part was made by the Group itself.

(In thousands of euros)	**31 December 2022**	**31 December 2021**	**Change**
Non-current financial payables	1,251	1,178	73
Total non-current financial payables	**1,251**	**1,178**	**73**

Note 21. Other non-current liabilities

Other non-current liabilities amounted to € 386 thousand at 31 December 2022 compared to € 788 thousand at 31 December 2021. The balance is attributable to deferred liabilities on leases that do not fall within the application of IFRS 16.

(In thousands of euros)	**31 December 2022**	**31 December 2021**	**Change**
Non-current accrued expenses	3	-	3
Non-current deferred income	383	788	(405)
Total other non-current liabilities	**386**	**788**	**(402)**

Note 22. Trade payables

The composition of trade payables at 31 December 2022 with comparative figures at 31 December 2021 is as follows:

(In thousands of euros)	**31 December 2022**	**31 December 2021**	**Change**
Trade payables to third-party suppliers	137,040	102,654	34,386
Total trade payables	**137,040**	**102,654**	**34,386**

Trade payables represent amounts due for the supply of goods and services. Comments on changes in net working capital can be found in the Report on Operations of the Board of Directors.

Note 23. Current bank payables

The composition of current bank debt at 31 December 2022 with comparative figures at 31 December 2021 is as follows:

(In thousands of euros)	31 December 2022	31 December 2021	Change
Current portion of medium/long-term loans	31,164	35,324	(4,160)
Bank advances received and invoices	43,840	8,040	35,800
Accrued interest liabilities	2	11	(9)
Total current bank debt	**75,006**	**43,375**	**31,631**

Amounts due to banks for advances relate to advances on trade receivables for financing operations.

The current portion of medium-/long-term loans refers to the portion of bank loans falling due within the next year.

Reference should be made to the Report on Operations of the Board of Directors for further details.

Note 24. Current financial payables

Current financial payables as at 31 December 2022 amounted to € 2,012 thousand compared to € 2,649 thousand for last year.

(In thousands of euros)	31 December 2022	31 December 2021	Change
Current financial payables	2,012	2,649	(637)
Total current financial payables	**2,012**	**2,649**	**(637)**

Note 25. Tax payables

Tax payables at 31 December 2022 amounted to € 32,492 thousand compared to € 12,242 thousand at 31 December 2021.

The item mainly includes the IRES and IRAP tax payables of the Parent Company for 2022 and the current tax payable contributed to the consolidation by the subsidiaries.

(In thousands of euros)	31 December 2022	31 December 2021	Change
Current IRES corporate income tax payables	27,006	9,217	17,789
Current IRAP regional production tax payables	4,751	1,583	3,168
Other tax payables	735	1,442	(707)
Total tax payables	**32,492**	**12,242**	**20,250**

Note 26. Other current liabilities

The composition of other current liabilities at 31 December 2022 with comparative figures at 31 December 2021 is as follows:

(In thousands of euros)	**31 December 2022**	**31 December 2021**	**Change**
Payables to agents	2,081	2,769	(688)
Payables to employees	13,890	12,072	1,818
Social security payables	5,715	5,588	127
Taxes withheld by the Italian companies (IRPEF withholdings)	4,334	3,904	430
Payables for current taxes not on income	258	335	(77)
VAT payables	7,523	5,254	2,269
Accrued expenses and deferred income	719	701	18
Advances from customers	7,146	5,359	1,787
Other payables	6,245	3,221	3,024
Total other current liabilities	**47,911**	**39,203**	**8,708**

Amounts due to agents relate to accrued commissions payable by the Brunello Cucinelli Group to its agents but not yet paid at the balance sheet date.

Amounts due to employees consist of balances payable for December wages and salaries, settled during the first few days of January, and the accrual for vacation leave vested but not yet taken. Social security payables refer to contributions on wages and salaries paid in December and on wages and salaries accrued at the end of December but paid during the first days of January.

Taxes withheld by the Italian companies consist of end-of-year balances for IRPEF and withholding taxes paid in January.

VAT payables relate mainly to the balances of the Group's foreign companies.

Advances from customers refer to advances that Group companies receive before the shipment of goods from some customers, both retail and wholesale, mainly foreign.

Note 27. Taxes

DEFERRED TAX ASSETS AND LIABILITIES

The composition of deferred tax assets and liabilities at 31 December 2022 with comparative figures at 31 December 2021 is as follows:

(In thousands of euros)	**31 December 2022**	**31 December 2021**	**Change**
Deferred tax assets	65,337	49,546	15,791
Deferred tax liabilities	(12,478)	(8,575)	(3,903)

The balance of deferred tax assets is mainly attributable to the tax effect related to the elimination of intercompany margins on inventories and deferred taxation recorded on temporary differences generated by the accounting of rents and losses on foreign exchange from valuation. Deferred tax assets were also recorded on the balance of the provision for write-down of inventories.

Deferred tax assets are recognised to the extent that it is probable that sufficient future taxable profit will be available against which temporary deductible differences and carried forward tax assets and liabilities can be utilised.

A breakdown of net deferred taxes as at 31 December 2022 and 31 December 2021 is as follows:

(In thousands of euros)	**Year ended 31 December**							
	Balance Sheet		**Shareholders' Equity**		**Income Statement**		**Exchange differences, change in scope of consolidation and other changes**	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Amortisation of intangible assets	177	253	-	-	(76)	68	-	-
Depreciation of property, plant and equipment	(7,621)	(6,456)	-	-	(747)	(2,211)	(418)	(467)
Provision for bad debts	700	594	-	-	106	175	-	-
Fair value of derivatives	(2,120)	827	(2,947)	1,612	-	-	-	-
IAS 17 – lease payment normalisation	6,455	6,824	-	-	(801)	(1,042)	432	563
IAS 19 – Employee severance indemnity	141	122	22	15	(3)	(5)	-	-
IAS 37 – Agent severance indemnity	121	121	-	-	-	-	-	-
Elimination of intercompany margins on inventories	28,559	17,790	-	-	10,769	2,333	-	-
Elimination of the effects of intercompany capital gains	9	9	-	-	-	-	-	-
Prepaid taxes on tax losses	428	1,181	-	-	(753)	290	-	-
Unrealised exchange gains and losses	1,227	(269)	-	-	1,496	(1,268)	-	-
Taxed cash transactions	443	277	-	-	152	17	14	17
Sale of Brunello Cucinelli Suisse S.A. shares to employees	54	51	-	-	-	-	3	2
Net investments in foreign operations	-	-	747	(968)	(747)	968	-	-
IFRS 16 – Leases	8,556	7,486	-	-	806	558	264	382
Inventory write-down	12,134	8,823	-	-	3,311	8,823	-	-
Others	3,596	3,338	-	-	173	2,079	85	66
Cost/(Revenue) for deferred taxes					**13,686**	**10,785**		
Deferred taxes recognised in equity			**(2,178)**	**659**				
Exchange differences and changes in scope of consolidation							**380**	**563**
Net deferred tax assets/(liabilities)	**52,859**	**40,971**						
Represented in the balance sheet as follows:								
Deferred tax assets	65,337	49,546						
Deferred tax liabilities	(12,478)	(8,575)						
Net deferred tax assets	**52,859**	**40,971**						

INCOME TAXES

The composition of the income tax charge in the consolidated income statement for the years ended 31 December 2022 and 31 December 2021 is as follows:

(In thousands of euros)	**31 December 2022**	**31 December 2021**	**Change**
Current taxes	50,396	18,713	31,683
Net deferred taxes	(13,686)	(10,785)	(2,901)
Prior year taxes	52	(197)	249
Total income taxes in the consolidated income statement	**36,762**	**7,731**	**29,031**
Income taxes in the comprehensive income statement	2,925	(1,627)	4,552
Total income taxes	**39,687**	**6,104**	**33,583**

The reconciliation between the nominal and actual rates of the Brunello Cucinelli Group for the years 31 December 2022 and 31 December 2021 is as follows:

(In thousands of euros)	**Year ended 31 December**	
	2022	**2021**
Income before taxes	**123,967**	**64,026**
IRES rate in force for the year	24.00%	24.00%
Theoretical tax charge	**(29,752)**	**(15,366)**
Income taxes with different rates (IRAP)	(7,030)	(1,924)
Effect of the different tax rates of foreign companies	(473)	332
Prior year taxes	(52)	196
Inventory write-down	-	8,823
Other changes	545	208
Total taxes in the Income Statement	**(36,762)**	**(7,731)**
Actual tax rate	*29.65%*	*-12.08%*

7. COMMENTS ON THE MAIN ITEMS OF THE CONSOLIDATED INCOME STATEMENTCOMMENTS ON THE MAIN ITEMS OF THE CONSOLIDATED INCOME STATEMENT

Note 28. Revenue

The composition of the item Revenue at 31 December 2022 with comparative figures at 31 December 2021 is as follows:

(In thousands of euros)	**31 December 2022**	**31 December 2021**	**Change**
Revenue	919,708	712,179	207,529

Revenues are earned from the sale of clothing, accessories and services of the Brunello Cucinelli Group.
For a detailed comment, see the Report on Operations of the Board of Directors.

Revenues may be broken down by geographical area as follows:

(In thousands of euros)	**Year ended 31 December**					
	2022	**impact %**	**2021**	**impact %**	**Change**	**Change %**
Europe	263,814	28.7%	219,150	30.8%	44,664	+20.4%
Italy	102,753	11.1%	84,223	11.8%	18,530	+22.0%
Americas	334,693	36.4%	238,238	33.4%	96,455	+40.5%
Asia	218,448	23.8%	170,568	24.0%	47,880	+28.1%
Total	**919,708**	**100.0%**	**712,179**	**100.0%**	**207,529**	**+29.1%**

Revenues may be broken down by distribution channel as follows:

(In thousands of euros)	**Year ended 31 December**					
	2022	**impact %**	**2021**	**impact %**	**Change**	**Change %**
Retail	573,320	62.3%	419,817	58.9%	153,503	+36.6%
Wholesale	346,388	37.7%	292,362	41.1%	54,026	+18.5%
Total	**919,708**	**100.0%**	**712,179**	**100.0%**	**207,529**	**+29.1%**

In accordance with the accounting standard IFRS 15 the Group recognises revenues for the sale of products at a point in time.

Reference should be made to the Report on Operations of the Board of Directors for comments on revenue performance.

Note 29. Costs for raw materials and consumables

The composition of costs for raw materials and consumables for the year ended 31 December 2022 with comparative figures for the year ended 31 December 2021 is as follows:

(In thousands of euros)	31 December 2022	31 December 2021	Change
Costs for raw materials and consumables	137,583	95,969	41,614
Change in inventories	(42,046)	17,641	(59,687)
Total costs for raw materials and consumables	**95,537**	**113,610**	**(18,073)**

Reference should be made to the Report on Operations of the Board of Directors for comments on this item.

Note 30. Cost of services

The composition of the item Costs for services at 31 December 2022 with comparative figures at 31 December 2021 is as follows:

(In thousands of euros)	31 December 2022	31 December 2021	Change
Outsourced work	166,192	119,606	46,586
Advertising and other marketing costs	52,201	36,058	16,143
Transport and duties	42,697	29,115	13,582
Lease expense	38,561	30,562	7,999
Commissions and accessory charges	7,244	7,810	(566)
Credit card charges	11,975	7,977	3,998
Outsourced services, training and miscellaneous consultancy	10,078	8,397	1,681
Maintenance and security services	9,221	7,221	2,000
Electricity, telephone, gas, water and postal expenses	7,154	6,912	242
Directors' and statutory auditors' fees	4,501	3,872	629
Insurance	2,049	1,756	293
IT and digital maintenance and support	8,689	5,193	3,496
Other general expenses	11,662	6,605	5,057
Total costs for services	**372,224**	**271,084**	**101,140**

The main "Costs of services" are discussed in the Report on Operations of the Board of Directors, to which reference should be made.

In conclusion it should be noted that Costs of services also include an amount of € 10,125 thousand relating to expenses of an IT/Digital nature.

We further note that the item Other general expenses shown in the table includes transfer costs for a residual amount of € 180 thousand incurred by the Parent Company and indirectly paid through a company specialising in the transportation sector to the Parent Company Foro delle Arti S.r.l. (formerly Fedone S.r.l.).
Consequently, given the indirect nature of the relationship, this amount was not presented in the Related Party Transactions section of these Notes.

Note 31. Personnel cost

The composition of Personnel costs for the year ended 31 December 2022 with comparative figures for the situation at 31 December 2021 is as follows:

(In thousands of euros)	**31 December 2022**	**31 December 2021**	**Change**
Wages and salaries	129,609	103,561	26,048
Social security contributions	27,136	23,390	3,746
Employee severance indemnity	3,717	3,280	437
Other payroll costs	4,251	2,717	1,534
Total payroll costs	**164,713**	**132,948**	**31,765**

Note that the item Personnel Cost includes the cost accrued as of 31 December 2022 (equal to € 5,166 thousand) with respect to the 2022-2024 Stock Grant Plan. For more details on this transaction, please refer to Note 15.

Reference should be made to the Report on Operations of the Board of Directors for a comment on Personnel costs.

Note 32. Other operating costs

The composition of Other operating costs at 31 December 2022 with comparative figures at 31 December 2021 is as follows:

(In thousands of euros)	**31 December 2022**	**31 December 2021**	**Change**
Taxes and duties	5,928	4,478	1,450
Losses on bad debts	336	120	216
Charitable contributions and donations	1,777	1,204	573
Other operating costs	8,450	4,011	4,439
Total other operating costs	**16,491**	**9,813**	**6,678**

The item “Other operating costs” includes costs for the purchase of devices and other personal protective equipment (PPE) aimed at containing and combating the COVID-19 epidemic emergency incurred mainly during the first half of the year.

Note 33. Other operating revenues

The composition of Other operating revenues at 31 December 2022 with comparative figures at 31 December 2021 is as follows:

(In thousands of euros)	31 December 2022	31 December 2021	Change
Other operating revenues	1,947	10,054	(8,107)
Total other operating revenues	**1,947**	**10,054**	**(8,107)**

Other operating revenues amounted to € 1,947 thousand and mainly refer to rental income related to premises used by business partners not covered by IFRS 16, contributions and insurance reimbursements received during the year.

Note 34. Increases in fixed assets for internal costs

The increase of € 2,153 thousand in own work capitalised mainly relates to production costs incurred to develop the historical collections, costs for the internal fit-out of the Group's boutiques and costs for the development of new IT procedures. The value at 31 December 2021 amounted to € 3,445 thousand.

Note 35. Depreciation/amortisation

The composition of the item Depreciation/amortisation at 31 December 2022 with comparative figures at 31 December 2021 is as follows:

(In thousands of euros)	31 December 2022	31 December 2021	Change
Amortisation of right-of-use assets	91,002	81,320	9,682
Amortisation of intangible assets	6,636	5,321	1,315
Depreciation of property, plant and equipment	34,181	29,580	4,601
Depreciation of investment properties	126	54	72
Total depreciation and amortisation	**131,945**	**116,275**	**15,670**

The increase in the depreciation and amortisation charge is linked to the investments made by the Group.

Reference should be made to the Report on Operationsof the Board of Directors for comments on depreciation trends.

Note 36. Value adjustments to assets and other provisions

Value adjustments to assets and other provisions (€ 8,486 thousand as at 31 December 2022 and € 4,912 thousand as at 31 December 2021) relate mainly to the write-down of goodwill referred to in the paragraph “6.1 Impairment”, to which reference is made, and for the remaining part to allocations to the provision for bad debts, to the provisions for agents’ supplementary termination indemnity and adjustments to the residual net book value of tangible assets recognised on enlarging the Group’s boutiques.

Note 37. Financial expenses

The composition of Financial expenses at 31 December 2022 with comparative figures at 31 December 2021 is as follows:

(In thousands of euros)	31 December 2022	31 December 2021	Change
Lease interest expense	11,753	10,578	1,175
Mortgage loan interest	860	800	60
Interest payable on advances	1,523	652	871
Bank interest expense	4	-	4
Realised exchange losses	47,206	18,948	28,258
Unrealised exchange losses	10,180	1,107	9,073
Lease exchange losses	1,751	259	1,492
Financial expense on derivatives	6,356	2,213	4,143
Impairment of CGU (“Cash Generating Unit”)	-	-	-
Miscellaneous financial expense	1,284	351	933
Total Financial Expenses	**80,917**	**34,908**	**46,009**

For a comment on the trend, please see the Report on Operations of the Board of Directors where the item Financial charges is analysed together with the item Financial income and from equity investments.

Note 38. Financial income and from equity investments

The composition of Financial income and equity investments at 31 December 2022 with comparative figures at 31 December 2021 is as follows:

(In thousands of euros)	31 December 2022	31 December 2021	Change
Lease interest income	51	18	33
Bank interest income	142	18	124
Realised exchange gains	53,927	18,385	35,542
Unrealised exchange gains	5,134	1,131	4,003
Lease exchange gains	4,071	1,369	2,702
Miscellaneous financial income	-	782	(782)
Financial income on derivatives	241	68	173
Effects of the valuation of investments using the equity method	6,716	-	6,716
Other income	190	127	63
Total Financial income and from equity investments	**70,472**	**21,898**	**48,574**

For a comment on the trend, please see the Report on Operations of the Board of Directors where the item Financial income and from equity investments is analysed together with the item Financial charges.

Note 39. Basic and diluted earnings per share

Basic earnings/(loss) per share is calculated by dividing net profit/(loss) for the year attributable to the ordinary shareholders of the Brunello Cucinelli Group by the weighted average number of outstanding ordinary shares during the year.

There is no difference between basic earnings/(loss) per share and diluted earnings per share as there are no convertible bonds or other financial instruments with dilutive effects.

The following table shows net profit and share information used to calculate basic and diluted earnings/(loss) per share:

	31 December 2022	31 December 2021
Net earnings/(loss) attributable to shareholders of the parent	80,599	53,322
Number of ordinary shares at the end of the year	68,000,000	68,000,000
Weighted average number of ordinary shares used to calculate basic earnings per share	68,000,000	68,000,000
Weighted average number of ordinary shares used to calculate diluted earnings per share	68,000,000	68,000,000
Basic earnings/(loss) per share (in euros)	1.18528	0.78415
Diluted earnings/(loss) per share (in euros)	1.18528	0.78415

Note 40. Commitments and risks

As at 31 December 2022 the Group had commitments mainly attributable to leases of new points of sale for an amount of € 12.2 million.

Also note assets owned by the Brunello Cucinelli Group lent to third parties and mainly related to operating machines and electronic equipment lent at no charge to workshops and outside companies which use them to produce and supply apparel and services for an amount of € 335 thousand.

FINANCIAL RISK MANAGEMENT

The Brunello Cucinelli Group is exposed to various types of financial risks connected with its core business. More specifically, the Group is simultaneously exposed to market risk (interest rate risk and exchange rate risk), liquidity risk and credit risk.
Financial risks are managed on the basis of guidelines established by the Board of Directors. The aim is to ensure a liability structure that remains balanced with the composition of assets to maintain adequate levels of solvency.
The most widely used financing instruments are:
- Medium-/long-term loans with a multi-year amortisation plan, to cover investments in fixed assets.
- Short-term loans and bank overdrafts to finance working capital.

Furthermore, the Brunello Cucinelli Group subscribes to financial instruments to hedge the risks of fluctuations in interest rates, which could affect the burden of medium-long term financial debt, and of exchange rates that could influence the Group's economic performance.

The average cost of borrowing is linked to the trend of the 3-month and 6-month Euribor rates, plus a spread that depends on the financing instrument used and the Company's rating.
The Brunello Cucinelli Group uses derivative financial instruments to hedge interest rate risk and exchange risk. Trading in derivatives for speculative purposes is not envisaged.

In the following paragraphs, the various risks are analysed individually, where necessary applying sensitivity analysis to highlight the potential impact on final results deriving from hypothetical fluctuations in the parameters of reference. As required by IFRS 7, these analyses are based on simplified scenarios applied to the final data of the reference periods, and by their very nature cannot be considered indicators of the real effects of future changes in the reference parameters due to a different capital and financial structure and different market conditions, nor can they reflect the interrelationships and complexity of the reference markets.

INTEREST RATE RISK

The Brunello Cucinelli Group is exposed to changes in interest rates, limited to its own floating rate debt instruments.

Brunello Cucinelli Group's sensitivity to interest rate risk is managed with due regard to its overall exposure: as part of its general policy of optimising financial resources, the Group seeks a balance by resorting to less expensive forms of financing.

It is the Group's policy to hedge its exposure on the medium and long-term portion of debt for market risk arising from interest rate changes. To manage such risk the Company uses derivative instruments such as interest rate swaps.

As at 31 December 2022, there were 17 positions relating to interest rate swap derivative instruments hedging the risk associated with the potential increase in the cost to service payables to banks due to the fluctuation of market rates. The notional value of these positions amounted to € 48.6 million with a positive equivalent value of approximately € 2,368 thousand.
As at 31 December 2021, there were 19 positions relating to interest rate swap derivative instruments hedging the risk associated with the potential increase in the cost to service payables to banks due to the fluctuation of market rates. The notional value of these positions amounted to € 70.3 million with a negative equivalent value of approximately € 108 thousand.

The short-term portion of the Payables to banks, which mainly serves to finance the need for working capital, is not subject to hedging of interest risk.

The cost of bank borrowing is linked to the Euribor rate for the period plus a spread that depends on the type of credit line used. The margins applied are comparable to the best market standards. The interest rate risk that the Brunello Cucinelli Group is exposed to mainly derives from outstanding financial payables.

Brunello Cucinelli Group's main sources of exposure to interest rate risk are attributable to short-, medium- and long-term loans and derivative instruments. While the Group has adopted a precise hedging policy, the potential impacts on the Income Statement for 2022 (2021 for comparison) attributable to interest rate risk are as follows:
- Potential change in financial and differential charges related to derivative instruments outstanding in 2022;
- Potential change in the fair value of existing derivative instruments.

Potential changes in the fair value of the effective component of existing hedging derivatives produce impacts on Shareholders' Equity.

The Brunello Cucinelli Group has estimated the potential impacts on the Income Statement and Shareholders' Equity for the 2023 financial year calculated with respect to the situation at the end of the 2022 financial year (impacts on 2022 for comparison calculated with respect to the situation at the end of the 2021 financial year) produced by a simulation of the change in the yield curve of interest rates using internal valuation models based on generally accepted logic. Specifically:
- For loans, these impacts were estimated by simulating a parallel change of +100/-30 basis points (+1%/-0.3%) in the rate yield curve, applied only for cash flows to be settled in 2022 (2021 for comparison);
- For derivative instruments, simulating a parallel change of +100/-30 basis points (+1%/-0.3%) in the rate yield curve.

With regard to the situation at 31 December 2022, a parallel shift in the yield curve of interest rates equal to +100 basis points (+1%) would produce an increase in financial expenses for the 2022 financial year equal to approximately € 275 thousand, offset for approximately € 273 thousand by an increase in the differentials collected against existing derivatives. A parallel shift in the yield curve of interest rates equal to -30 basis points (-0.3%)

would produce a decrease in financial expenses equal to approximately € 82 thousand, offset for approximately € 82 thousand by a reduction in the differentials collected against existing derivatives.

With regard to the situation at 31 December 2021, a parallel shift in the yield curve of interest rates equal to +100 basis points (+1%) would produce an increase in financial expenses for the 2021 financial year equal to approximately € 448 thousand, offset for approximately € 446 thousand by an increase in the differentials collected against existing derivatives. A parallel shift in the yield curve of interest rates equal to -30 basis points (-0.3%) would produce a decrease in financial expenses equal to approximately € 134 thousand, offset for approximately € 116 thousand by a reduction in the differentials collected against existing derivatives.

	Interest 31 December 2022		
Loans	**Residual debt** *(€/000)*	**Impact on the 2022 Income Statement +100 bps** *(€/000)*	**Impact on the 2022 Income Statement -30 bps** *(€/000)*
Loans payable	77,610	(275)	82
Total Loans	**77,610**	**(275)**	**82**
Derivative instruments	**Residual notional** *(€/000)*	**Impact on the 2022 Income Statement +100 bps** *(€/000)*	**Impact on the 2022 Income Statement -30 bps** *(€/000)*
Cash flow hedging derivative instruments	48,563	273	(82)
Total derivatives	**48,563**	**273**	**(82)**
TOTAL		**(2)**	**-**

	Interest 31 December 2021		
Loans	**Residual debt** *(€/000)*	**Impact on the 2021 Income Statement +100 bps** *(€/000)*	**Impact on the 2021 Income Statement -30 bps** *(€/000)*
Loans payable	109,113	(448)	134
Total Loans	**109,113**	**(448)**	**134**
Derivative instruments	**Residual notional** *(€/000)*	**Impact on the 2021 Income Statement +100 bps** *(€/000)*	**Impact on the 2021 Income Statement -30 bps** *(€/000)*
Cash flow hedging derivative instruments	70,272	446	(116)
Total derivatives	**70,272**	**446**	**(116)**
TOTAL		**(2)**	**18**

With regard to the situation at 31 December 2022, a parallel shift in the yield curve of interest rates equal to +100 basis points (+1%) would produce an increase in the asset value of existing hedging derivative instruments equal to approximately € 553 thousand, with an impact only on Shareholders' equity. A parallel shift in the yield curve of interest rates equal to -30 basis points (-0.3%) would produce a decrease in the asset value of existing derivative instruments equal to approximately € 168 thousand, with an impact solely on Shareholders' equity.

With regard to the situation at 31 December 2021, a parallel shift in the yield curve of interest rates equal to +100 basis points (+1%) would produce an increase in the asset value of existing hedging derivative instruments equal to approximately € 1,204 thousand, with an impact only on Shareholders' equity. A parallel shift in the yield curve of interest rates equal to -30 basis points (-0.3%) would produce a decrease in the asset value of existing derivative instruments equal to approximately € 336 thousand, with an impact solely on Shareholders' equity.

	Sensitivity of the fair value of derivatives 31 December 2022									
	Notional value (€/000)	Fair value (€/000)	Net fair value +100 bps	Change in net fair value +100 bps	Impact on the Income Statement +100 bps	Impact on Shareholders' Equity +100 bps	Net fair value -30 bps	Change in net fair value -30bps	Impact on the Income Statement -30bps	Impact on Shareholders' Equity -30 bps
				d = c-b	e = d-f	f	g	h = g-b	i = h-j	J
Cash flow hedging derivative instruments	48,563	2,368	2,921	553	-	553	2,200	(168)	-	(168)
TOTAL	**48,563**	**2,368**	**2,921**	**553**	**-**	**553**	**2,200**	**(168)**	**-**	**(168)**

	Sensitivity of the fair value of derivatives 31 December 2021									
	Notional value (€/000)	Fair value (€/000)	Net fair value +100 bps	Change in net fair value +100 bps	Impact on the Income Statement +100 bps	Impact on Shareholders' Equity +100 bps	Net fair value -30 bps	Change in net fair value -30bps	Impact on the Income Statement -30bps	Impact on Shareholders' Equity -30 bps
	A	b	c	d = c-b	e = d-f	f	g	h = g-b	i = h-j	J
Cash flow hedging derivative instruments	70,272	(108)	1,096	1,204	-	1,204	(444)	(336)	-	(336)
TOTAL	**70,272**	**(108)**	**1,096**	**1,204**	**-**	**1,204**	**(444)**	**(336)**	**-**	**(336)**

The assumptions regarding the extent of changes in market parameters used for the simulation of shocks were formulated on the basis of an analysis of the historical evolution of these parameters over a 12-month horizon.

EXCHANGE RATE RISK

The Brunello Cucinelli Group is exposed to currency risk for the currencies (primarily the US dollar) in which sales are made to affiliates and third-party customers, while the cost structure is primarily concentrated in the euro area. This risk exists in the eventuality that the market value of revenues in euro may decrease in the event of adverse fluctuations in the exchange rate, thereby preventing the desired margin from being achieved.
Due to the geographical composition of the corporate structure, with subsidiaries located in different countries with different currencies, the Group is exposed to exchange rate risk related to intercompany cash flows (mainly dividends, loans, capital transactions).
Finally, the Group is exposed to so-called "translation risk". This risk implies that assets and liabilities of consolidated companies whose functional currency is different from the euro may have different market values in euros depending on exchange rate fluctuations, the amount of which is reflected in the "translation reserve" in Shareholders' equity. The Group monitors the performance of this exposure, against which no hedging transactions were in place at the balance sheet date.

To limit its exposure to the currency risk deriving from its business activities the Brunello Cucinelli Group enters into derivative contracts (forward exchange contracts) that predetermine the conversion rate or a range of conversion rates at future dates.

The forward contracts are stipulated when seasonal price lists in foreign currency are defined on the basis of estimated sales, with the expiry date of the derivative set as the expected collection date of the sales invoices. In particular, the Group sets its selling prices in euros and calculates the corresponding prices in foreign currency by applying the exchange rate of the average of the hedges made with forward contracts.

Starting in 2010, the Company adopted cash flow hedge accounting to account for derivative contracts hedging currency risk arising from foreign currency business transactions deemed highly probable. Consequently, the effective component of the change in fair value of derivatives negotiated to hedge highly probable foreign currency transactions is allocated to a specific reserve in Shareholders' equity. When the hedged transaction takes place, the amounts recognised in the reserve are reclassified to Revenues in the income statement. The ineffective component of this change in fair value is recognised in Financial income and expense in the income statement. In accordance with the methods adopted for accounting for hedged items, changes in fair value subsequent to the occurrence of hedged transactions are recognised in Financial income and expense in the income statement.

The aim of the Company's financial policy is to prevent results from operations from being affected by fluctuations in exchange rates between the stipulation date of forward contracts and the time of invoicing and subsequent collection.

During 2022 the Group reclassified as a decrease in revenues € 3,341 thousand previously recognised in the cash flow hedge reserve.
During 2021 the Group reclassified as an increase in revenues € 3,724 thousand previously recognised in the cash flow hedge reserve.

The potential effects on the 2023 income statement (2022 for comparative purposes) arising from currency risk are:
– Write-up/write-down of asset and liability items expressed in foreign currency;
– Change in fair value of outstanding derivatives hedging asset and liability items expressed in foreign currency;
– Change in fair value of the effective component of outstanding derivatives highly probable transactions in foreign currency.

The potential effects on the 2023 Shareholders' Equity (2022 for comparative purposes) arising from currency risk are:
– Change in fair value of the effective component of outstanding derivatives highly probable transactions in foreign currency.

The Brunello Cucinelli Group has estimated the potential effects on its 2023 income statement and Shareholders' equity, calculated with reference to the situation at the end of 2022 (2021 for comparative purposes), produced by a shock on the exchange rate market (with reference to currencies in which the Group has significant exposure at each closing date), by using internal assessment models based on generally accepted principles.

	FOREIGN CURRENCY EXPOSURE 2022			SENSITIVITY 2022	
Exposure of balance sheet items	**Income**	**Expense**	**Net**	**Income Statement Euro/US dollar exchange rate**	
	(US dollar/000)			+ 5% (€/000)	- 5% (€/000)
Trade balances	9,153	(5,822)	3,331	156.0	(156.0)
Total gross exposure of balance sheet items	**9,153**	**(5,822)**	**3,331**	**156.0**	**(156.0)**

Exposure arising from highly probable future transactions	**Notional**	**Changes in equity Euro/US dollar exchange rate**	
		+ 5% (€/000)	- 5% (€/000)
Forward sales (Notional Value)	(179,800)	7,937	(7,937)

Exposure of balance sheet items	**Income**	**Expense**	**Net**	**Changes in equity Euro/Swiss franc exchange rate**	
	(CHF/000)			+ 5% (€/000)	- 5% (€/000)
Trade balances	73	(261)	(188)	(10.0)	10.0
Total gross exposure of balance sheet items	**73**	**(261)**	**(188)**	**(10.0)**	**10.0**

Exposure arising from highly probable future transactions	**Notional**	**Changes in equity Euro/Swiss franc exchange rate**	
		+ 5% (€/000)	- 5% (€/000)
Forward sales (Notional Value)	(10,200)	494	(494)

Exposure of balance sheet items	**Income**	**Expense**	**Net**	**Income Statement Euro/British pound exchange rate**	
	(GBP/000)			+ 5% (€/000)	- 5% (€/000)
Trade balances	1,652	(267)	1,385	78.0	(78.0)
Total gross exposure of balance sheet items	**1,652**	**(267)**	**1,385**	**78.0**	**(78.0)**

Exposure arising from highly probable future transactions	Notional	Changes in equity Euro/British pound exchange rate	
		+ 5% (€/000)	- 5% (€/000)
Forward sales (Notional Value)	(8,000)	476	(476)

Exposure of balance sheet items	Income	Expense	Net	Income Statement Euro/Japanese yen exchange rate	
		(JPY/000)		+ 5% (€/000)	- 5% (€/000)
Trade balances	646,528	(295,947)	350,581	125.0	(125.0)
Total gross exposure of balance sheet items	**646,528**	**(295,947)**	**350,581**	**125.0**	**(125.0)**

Exposure arising from highly probable future transactions	Notional	Changes in equity Euro/Japanese yen exchange rate	
		+ 5% (€/000)	- 5% (€/000)
Forward sales (Notional Value)	(1,005,000)	385	(385)

Exposure of balance sheet items	Income	Expense	Net	Income Statement Euro/Hong Kong dollar exchange rate	
		(HKD/000)		+ 5% (€/000)	- 5% (€/000)
Trade balances	2,351	(7,883)	(5,532)	(33.0)	33.0
Total gross exposure of balance sheet items	**2,351**	**(7,883)**	**(5,532)**	**(33.0)**	**33.0**

Exposure arising from highly probable future transactions	Notional	Changes in equity Euro/Hong Kong dollar exchange rate	
		+ 5% (€/000)	- 5% (€/000)
Forward sales (Notional Value)	(49,600)	281	(281)

Exposure of balance sheet items	Income	Expense	Net	Income Statement Euro/Canadian dollar exchange rate	
		(CAD/000)		+ 5% (€/000)	- 5% (€/000)
Trade balances	6,530	(845)	5,685	197.0	(197.0)
Total gross exposure of balance sheet items	**6,530**	**(845)**	**5,685**	**197.0**	**(197.0)**

Exposure arising from highly probable future transactions	Notional	Changes in equity Euro/Canadian dollar exchange rate	
		+ 5% (€/000)	- 5% (€/000)
Forward sales (Notional Value)	(23,000)	799	(799)

Exposure of balance sheet items	Income	Expense	Net	Income Statement Euro/Renminbi exchange rate	
		(CNY/000)		+ 5% (€/000)	- 5% (€/000)
Trade balances	34,339	(23,662)	10,677	73.0	(73.0)
Total gross exposure of balance sheet items	**34,339**	**(23,662)**	**10,677**	**73.0**	**(73.0)**

Exposure arising from highly probable future transactions	Notional	Changes in equity Euro/Renminbi exchange rate	
		+ 5% (€/000)	- 5% (€/000)
Forward sales (Notional Value)	(161,500)	1,122	(1,122)

Exposure of balance sheet items	Income	Expense	Net	Income Statement Euro/ Rouble exchange rate	
		(RUB/000)		+ 5% (€/000)	- 5% (€/000)
Trade balances	-	(5,583)	(5,583)	(4.0)	4.0
Total gross exposure of balance sheet items	**-**	**(5,583)**	**(5,583)**	**(4.0)**	**4.0**

Exposure of balance sheet items	Income	Expense	Net	Income Statement Euro/ Singapore dollar exchange rate	
	(SGD/000)			+ 5% (€/000)	- 5% (€/000)
Trade balances	2	(65)	(63)	(2.0)	2.0
Total gross exposure of balance sheet items	**2**	**(65)**	**(63)**	**(2.0)**	**2.0**

Exposure arising from highly probable future transactions	Notional	Changes in equity Euro/Singapore dollar exchange rate	
		+ 5% (€/000)	- 5% (€/000)
Forward sales (Notional Value)	(1,400)	46	(46)

Exposure of balance sheet items	Income	Expense	Net	Income Statement Euro/Danish krone exchange rate	
	(DKK/000)			+ 5% (€/000)	- 5% (€/000)
Trade balances	-	(57)	(57)	(0.4)	0.4
Total gross exposure of balance sheet items	**-**	**(57)**	**(57)**	**(0.4)**	**0.4**

Exposure of balance sheet items	Income	Expense	Net	Income Statement Euro/ Taiwan dollar exchange rate	
	(TWD/000)			+ 5% (€/000)	- 5% (€/000)
Trade balances	35,876	(6,404)	29,472	45.0	(45.0)
Total gross exposure of balance sheet items	**35,876**	**(6,404)**	**29,472**	**45.0**	**(45.0)**

Exposure arising from highly probable future transactions	Notional	Changes in equity Euro/Taiwan dollar exchange rate	
		+ 5% (€/000)	- 5% (€/000)
Forward sales (Notional Value)	(83,000)	132	(132)

Exposure of balance sheet items	**Income**	**Expense**	**Net**	**Income Statement Euro/Dirham exchange rate**	
		(Dirham/000)		+ 5% (€/000)	- 5% (€/000)
Trade balances	4,190	(2,609)	1,581	20.0	(20.0)
Total gross exposure of balance sheet items	**4,190**	**(2,609)**	**1,581**	**20.0**	**(20.0)**

Exposure arising from highly probable future transactions	**Notional**	**Changes in equity Euro/UAE dirham exchange rate**	
		+ 5% (€/000)	- 5% (€/000)
Forward sales (Notional Value)	(36,500)	439	(439)

Exposure of balance sheet items	**Income**	**Expense**	**Net**	**Income Statement Euro/Kuwait dinar exchange rate**	
		(KWD/000)		+ 5% (€/000)	- 5% (€/000)
Trade balances	-	(420)	(420)	(64.0)	64.0
Total gross exposure of balance sheet items	**-**	**(420)**	**(420)**	**(64.0)**	**64.0**

Exposure of balance sheet items	FOREIGN CURRENCY EXPOSURE 2021			SENSITIVITY	
	Income	Expense	Net	Income Statement Euro/US dollar exchange rate	
	(US dollar/000)			+ 5% (€/000)	- 5% (€/000)
Trade balances	10,527	(6,867)	3,660	162.0	(162.0)
Total gross exposure of balance sheet items	**10,527**	**(6,867)**	**3,660**	**162.0**	**(162.0)**

Exposure arising from highly probable future transactions	Notional	Changes in equity Euro/US dollar exchange rate	
		+ 5% (€/000)	- 5% (€/000)
Forward sales (Notional Value)	(146,040)	6,447	(6,447)

Exposure of balance sheet items	Income	Expense	Net	Income Statement Euro/Swiss franc exchange rate	
	(CHF/000)			+ 5% (€/000)	- 5% (€/000)
Trade balances	117	(963)	(846)	(41.0)	41.0
Total gross exposure of balance sheet items	**117**	**(963)**	**(846)**	**(41.0)**	**41.0**

Exposure arising from highly probable future transactions	Notional	Changes in equity Euro/Swiss franc exchange rate	
		+ 5% (€/000)	- 5% (€/000)
Forward sales (Notional Value)	(9,000)	436	(436)

Exposure of balance sheet items	Income	Expense	Net	Income Statement Euro/British pound exchange rate	
	(GBP/000)			+ 5% (€/000)	- 5% (€/000)
Trade balances	1,279	(154)	1,125	67.0	(67.0)
Total gross exposure of balance sheet items	**1,279**	**(154)**	**1,125**	**67.0**	**(67.0)**

Exposure arising from highly probable future transactions	Notional	Changes in equity Euro/British pound exchange rate	
		+ 5% (€/000)	- 5% (€/000)
Forward sales (Notional Value)	(11,650)	693	(693)

Exposure of balance sheet items	Income	Expense	Net	Income Statement Euro/Japanese yen exchange rate	
		(JPY/000)		+ 5% (€/000)	- 5% (€/000)
Trade balances	530,981	(164,201)	366,780	141.0	(141.0)
Total gross exposure of balance sheet items	**530,981**	**(164,201)**	**366,780**	**141.0**	**(141.0)**

Exposure arising from highly probable future transactions	Notional	Changes in equity Euro/Japanese yen exchange rate	
		+ 5% (€/000)	- 5% (€/000)
Forward sales (Notional Value)	(1,800,000)	690	(690)

Exposure of balance sheet items	Income	Expense	Net	Income Statement Euro/Hong Kong dollar exchange rate	
		(HKD/000)		+ 5% (€/000)	- 5% (€/000)
Trade balances	2,230	(3,391)	(1,161)	(7.0)	7.0
Total gross exposure of balance sheet items	**2,230**	**(3,391)**	**(1,161)**	**(7.0)**	**7.0**

Exposure arising from highly probable future transactions	Notional	Changes in equity Euro/Hong Kong dollar exchange rate	
		+ 5% (€/000)	- 5% (€/000)
Forward sales (Notional Value)	(84,800)	480	(480)

Exposure of balance sheet items	Income	Expense	Net	Income Statement Euro/Canadian dollar exchange rate	
		(CAD/000)		+ 5% (€/000)	- 5% (€/000)
Trade balances	5,013	(537)	4,476	155.0	(155.0)
Total gross exposure of balance sheet items	**5,013**	**(537)**	**4,476**	**155.0**	**(155.0)**

Exposure arising from highly probable future transactions	Notional	Changes in equity Euro/Canadian dollar exchange rate	
		+ 5% (€/000)	- 5% (€/000)
Forward sales (Notional Value)	(23,000)	799	(799)

Exposure of balance sheet items	Income	Expense	Net	Income Statement Euro/Renminbi exchange rate	
		(CNY/000)		+ 5% (€/000)	- 5% (€/000)
Trade balances	47,612	(14,062)	33,550	233.0	(233.0)
Total gross exposure of balance sheet items	**47,612**	**(14,062)**	**33,550**	**233.0**	**(233.0)**

Exposure arising from highly probable future transactions	Notional	Changes in equity Euro/Renminbi exchange rate	
		+ 5% (€/000)	- 5% (€/000)
Forward sales (Notional Value)	(213,000)	1,480	(1,480)

Exposure of balance sheet items	Income	Expense	Net	Income Statement Euro/ Rouble exchange rate	
		(RUB/000)		+ 5% (€/000)	- 5% (€/000)
Trade balances	-	(10,753)	(10,753)	(6.0)	6.0
Total gross exposure of balance sheet items	**-**	**(10,753)**	**(10,753)**	**(6.0)**	**6.0**

Exposure arising from highly probable future transactions	Notional	Changes in equity Euro/Rouble exchange rate	
		+ 5% (€/000)	- 5% (€/000)
Forward sales (Notional Value)	(640,000)	375	(375)

Exposure of balance sheet items	Income	Expense	Net	Income Statement Euro/ Singapore dollar exchange rate	
		(SGD/000)		+ 5% (€/000)	- 5% (€/000)
Trade balances	-	(86)	(86)	(3.0)	3.0
Total gross exposure of balance sheet items	**-**	**(86)**	**(86)**	**(3.0)**	**3.0**

Exposure arising from highly probable future transactions	Notional	Changes in equity Euro/Singapore dollar exchange rate	
		+ 5% (€/000)	- 5% (€/000)
Forward sales (Notional Value)	(2,250)	74	(74)

Exposure of balance sheet items	Income	Expense	Net	Income Statement Euro/Danish krone exchange rate	
		(DKK/000)		+ 5% (€/000)	- 5% (€/000)
Trade balances	1	(82)	(81)	(0.6)	0.6
Total gross exposure of balance sheet items	**1**	**(82)**	**(81)**	**(0.6)**	**0.6**

Exposure of balance sheet items	Income	Expense	Net	Income Statement Euro/ Taiwan dollar exchange rate	
		(TWD/000)		+ 5% (€/000)	- 5% (€/000)
Trade balances	23,635	(3,843)	19,792	32.0	(32.0)
Total gross exposure of balance sheet items	**23,635**	**(3,843)**	**19,792**	**32.0**	**(32.0)**

Exposure arising from highly probable future transactions	**Notional**	**Changes in equity Euro/Taiwan dollar exchange rate**	
		+ 5% (€/000)	- 5% (€/000)
Forward sales (Notional Value)	(46,000)	73	(73)

Exposure of balance sheet items	**Income**	**Expense**	**Net**	**Income Statement Euro/Dirham exchange rate**	
		(AED/000)		+ 5% (€/000)	- 5% (€/000)
Trade balances	2,072	(758)	1,314	15.8	(15.8)
Total gross exposure of balance sheet items	**2,072**	**(758)**	**1,314**	**15.8**	**(15.8)**

Exposure arising from highly probable future transactions	**Notional**	**Changes in equity Euro/Dirham exchange rate**	
		+ 5% (€/000)	- 5% (€/000)
Forward sales (Notional Value)	(15,500)	186	(186)

The assumptions regarding the range of changes in market parameters used to simulate shocks were formulated on the basis of an analysis of the historical trend of such parameters with reference to a 30-60-90 day horizon, in line with the expected length of exposure.

LIQUIDITY RISK

The Brunello Cucinelli Group manages liquidity risk by strictly controlling the items making up working capital and, in particular, receivables from customers and payables to suppliers.

The Group strives to obtain good cash generation in order to settle trade payables without jeopardizing its short-term cash requirements and to avoid criticalities and strains of available cash.

The following tables provide a stratification of outstanding liabilities for 2022 and 2021 relating to financial instruments by residual maturity:

	Situation at 31 December 2022				
	Financial Payables				
	Principal *(€/000)*	**Interest** *(€/000)*	**Trade Payables** *(€/000)*	**Derivative instruments** *(€/000)*	**TOTAL** *(€/000)*
	in	**b**	**c**	**d**	**e = a+b+c+d**
Maturity:					
Within 12 months	31,134	1,796	137,040	(1,282)	168,688
Between 1 and 2 years	24,240	1,043	-	(790)	24,493
Between 2 and 3 years	15,326	390	-	(275)	15,441
Between 3 and 5 years	6,850	109	-	(81)	6,878
Between 5 and 7 years	-	-	-	-	-
More than 7 years	-	-	-	-	-
TOTAL	**77,550**	**3,338**	**137,040**	**(2,428)**	**215,500**

	Situation at 31 December 2021				
	Financial Payables				
	Principal *(€/000)*	**Interest** *(€/000)*	**Trade Payables** *(€/000)*	**Derivative instruments** *(€/000)*	**TOTAL** *(€/000)*
	in	**b**	**c**	**d**	**e = a+b+c+d**
Maturity:					
Within 12 months	35,270	587	102,654	164	138,675
Between 1 and 2 years	29,958	735	-	(258)	30,435
Between 2 and 3 years	23,064	484	-	(222)	23,326
Between 3 and 5 years	20,708	255	-	(123)	20,840
Between 5 and 7 years	-	-	-	-	-
More than 7 years	-	-	-	-	-
TOTAL	**109,000**	**2,061**	**102,654**	**(439)**	**213,276**

The estimate of the future costs implicit in loans and the expected future differentials implicit in the derivative instruments was determined on the basis of the yield curves of the interest rates at the reporting date (31 December 2022 and 31 December 2021).

CREDIT RISK

Credit risk is the Group's exposure to potential losses arising from the failure by counterparties to meet their obligations.

The Brunello Cucinelli Group's exposure to commercial credit risk refers only to sales made to the wholesale channel, which represents approximately 37.7% of revenues at 31 December 2022: the remaining turnover refers to sales in the retail channel where payment is made in cash or by credit or debit card.

The Brunello Cucinelli Group generally prefers to do business with customers with whom it has established a consolidated relationship over time. It is the Group's policy to carry out checks on the relative credit class for customers requesting extended payment terms both by using information obtainable from specialised agencies and observing and analysing figures for the performance of established customers. In addition, balances are constantly monitored during the year in order to ensure timely action and reduce the risk of loss. As confirmation of this policy, reference should be made to the changes in the provision for bad debts for the years ended 31 December 2022 and 31 December 2021 set out in note 9.
Specifically, note that the percentage ratio of the sum of the utilisations of the provision for bad debts and bad debt losses as compared to revenues (0.09% in 2022 and 0.04% in 2021) support a prudent and sound mindset in credit management.

The carrying amount of trade receivables in the financial statements is stated net of the provision for bad debts on the basis of the risk that the counterparty will fail to meet its obligations, determined by considering the available information on the solvency of the customer and historical data.

The following tables provide an ageing of trade receivables for the years 2022 and 2021:

	Situation at 31 December	
Overdue by:	**2022**	**2021**
0-90 days	5,639	3,880
91-180 days	2,577	3,138
More than 180 days	2,096	4,047
TOTAL	**10,312**	**11,065**

OTHER INFORMATION

RELATED PARTY TRANSACTIONS

The following tables provide details of transactions and balances with related parties. The companies indicated have been identified as related parties because they are directly or indirectly connected with the Brunello Cucinelli Group's shareholders of reference.

Pursuant to Consob Resolution no. 17221 of 12 March 2010, it is acknowledged that during 2022 the Group did not enter into major or material transactions with related parties that significantly affected the Group's capital or profit or loss.

All transactions that are part of the normal operations of Brunello Cucinelli Group companies have been carried out in the exclusive interest of the Group, applying contractual conditions consistent with those theoretically achievable in negotiations with third parties.

Details of the Brunello Cucinelli Group's transactions and balances with related parties as at 31 December 2022 are as follows:

(In thousands of euros)	**Revenue**	**Other operating revenues**	**Costs for raw materials and consumables**	**Cost of services**	**Payroll costs**	**Financial income**	**Property, plant and equipment**	**Other non-current financial assets**	**Trade receivables**	**Trade payables**	**Other current receivables and assets**	**Other current liabilities**
MO.AR.R. S.n.c.	10	-	14	53	-	-	7,723	-	-	237	-	-
Cariaggi Lanificio S.p.A.	5	67	14,815	2	-	6,716	-	22,083	82	7,544	-	-
AS.VI.P.I.M. Cucinelli Group	-	3	-	916	-	-	-	-	4	76	-	-
Verna S.r.l.	-	3	-	488	-	-	-	-	5	-	-	-
Brunello Cucinelli family	12	5	-	625	806	-	-	-	15	-	-	50
Directors and Executives with strategic responsibilities	-	-	-	1,440	5,465	-	-	-	-	-	-	663
Foro delle Arti S.r.l. (formerly Fedone S.r.l.)	68	6	-	352	-	-	5,024	32	8	91	450	-
Brunello Cucinelli Foundation	7	9	-	3	-	-	-	-	11	-	-	-
Castello di Solomeo S.a.S.	-	8	4	61	-	-	8	-	8	11	-	-
S.C.R.Oratorio Interreligioso S.S.D. A.r.l.	-	3	-	-	-	-	-	-	4	-	-	-
Total related parties	**102**	**104**	**14,833**	**3,940**	**6,271**	**6,716**	**12,755**	**22,115**	**137**	**7,959**	**450**	**713**
Total consolidated financial statements	**919,708**	**1,947**	**95,537**	**372,224**	**164,713**	**70,472**	**188,692**	**38,623**	**76,608**	**137,040**	**32,350**	**47,911**
Proportion %	*0.01%*	*5.34%*	*15.53%*	*1.06%*	*3.81%*	*9.53%*	*6.76%*	*57.26%*	*0.18%*	*5.81%*	*1.39%*	*1.49%*

The following table sets out the balances at 31 December 2022 arising from the application of the standard IFRS 16 to related party transactions:

(In thousands of euros)	Right-of-use	Non-current financial liabilities for leases	Current financial liabilities for leases	Depreciation	Financial Expenses
Foro delle Arti S.r.l. (formerly Fedone S.r.l.)	4,154	4,058	562	549	137
Total related parties	**4,154**	**4,058**	**562**	**549**	**137**
Total consolidated financial statements	**520,066**	**474,931**	**90,066**	**131,945**	**80,917**
Proportion %	*0.80%*	*0.85%*	*0.62%*	*0.42%*	*0.17%*

Specifically:

– MO.AR.R. S.n.c.: commercial relations with the company MO.AR.R. S.n.c., of which Mr. Enzo Cucinelli, brother of Cav. Lav. Brunello Cucinelli, holds 50% of the share capital, relate to: (i) purchases of decorating materials used for fitting out exhibitions and fairs and (ii) investments for the furnishing of points of sale and offices.

– Cariaggi Lanificio S.p.A.: the Parent Company has trade relations with the company Cariaggi Lanificio S.p.A. essentially concerning the purchase of yarn for production. Moreover, by virtue of the connection existing between the Parent Company and the company Cariaggi Lanificio S.p.A., the value of the interest is recognised under Other current financial assets as it is an associate company of the Parent Company, which holds 43% of the share capital. This is also financial income deriving from the valuation of the investment with respect to the purchase value.

– AS.VI.P.I.M. Gruppo Cucinelli: this association conducts the surveillance of all of the buildings located in Solomeo and used by the Group for its business. It should be noted that Cav. Lav. Brunello Cucinelli and the Group are both members.

– Foro delle Arti S.r.l. (formerly Fedone S.r.l.): a company in which Cav. Lav. Brunello Cucinelli is the Chairman and CEO who as at 31 December 2022 holds 50.05% of the Parent Company; transactions mainly relate to renting and making investments in property used by the Company for conducting operations in the area close to the Company's headquarters. The amounts involved and set out in the above table include the effects of applying the new accounting standard IFRS 16.

– Verna S.r.l.: this company, whose shareholders are Cav. Lav. Brunello Cucinelli and Foro delle Arti S.r.l. (formerly Fedone S.r.l.) provides services for the cleaning of the premises and factories of the Company's administrative and production facility in Solomeo.

– Brunello Cucinelli family: this is the remuneration deriving from the employment relationship and the fees for the office of Director of the Parent Company of Cav. Lav. Brunello Cucinelli and some of his family members.

– Directors and Executives with Strategic Responsibilities: includes the remuneration paid to Executives with Strategic Responsibilities for the employment relationship as well as the emoluments for the position of Directors of the Parent Company (including the emoluments of the CEO Riccardo Stefanelli).

  The significant increase compared to 31 December 2021 relates to the cost accrued as at 31 December 2022 for the 2022-2024 stock grant plan.

– Brunello Cucinelli Foundation, Castello di Solomeo S.a.S. and S.C.R. Oratorio Interreligioso S.S.D. A.r.l.: insignificant amounts relating mainly to recharges for services rendered.

SIGNIFICANT EVENTS AFTER 31 DECEMBER 2022

Reference should be made to the Board of Directors' Report on Operations for significant events occurring after the reporting date of these consolidated financial statements.

COMPENSATION OF THE BOARD OF DIRECTORS AND THE BOARD OF STATUTORY AUDITORS

The total compensation due to members of the Board of Directors of Brunello Cucinelli S.p.A. at 31 December 2022 amounted to € 2,164 thousand.
The compensation accruing to the Board of Statutory Auditors of Brunello Cucinelli S.p.A. at 31 December 2022 amounted to € 158 thousand.
The table below shows the compensation due to members of the Board of Directors for the year ended 31 December 2022 by Brunello Cucinelli S.p.A. and by direct or indirect subsidiaries:

Board of Directors

(In euros)		Year ended 31 December 2022								
- Full name	**Office held**	**Term of office**	**Expiry**	**Remuneration**	**Fees for participation in committees**	**Non-monetary benefits**	**Bonuses and other incentives**	**Other remuneration**	**Other remuneration received from subsidiaries**	**General total**
Brunello Cucinelli	Chairman	01-Jan/ 31-Dec	a)	802,400	-	-	-	-	-	**802,400**
Riccardo Stefanelli	Director and Chief Executive Officer	01-Jan/ 31-Dec	a)	253,200	-	-	300,000	-	-	**553,200**
Luca Lisandroni	Director and Chief Executive Officer	01-Jan/ 31-Dec	a)	252,800	-	-	300,000	-	-	**552,800**
Giovanna Manfredi	Director	01-Jan/ 31-Dec	a)	2,400	-	-	-	-	-	**2,400**
Camilla Cucinelli	Director	01-Jan/ 31-Dec	a)	800	-	-	-	-	-	**800**
Carolina Cucinelli	Director	01-Jan/ 31-Dec	a)	2,000	-	-	-	-	-	**2,000**
Stefano Domenicali	Independent director	01-Jan/ 31-Dec	a)	32,400	10,000	-	-	-	-	**42,400**
Anna Chiara Svelto	Independent director	01-Jan/ 03-May	a)	11,559	12,086	-	-	-	-	**23,645**
Andrea Pontremoli	Independent director	01-Jan/ 31-Dec	a)	33,200	10,000	-	-	-	-	**43,200**
Ramin Arani	Independent director	01-Jan/ 31-Dec	a)	33,200	6,188	-	-	-	-	**39,388**
Maria Cecilia La Manna	Independent director	01-Jan/ 31-Dec	a)	32,800	16,188	-	-	-	-	**48,988**
Emanuela Bonadiman	Independent director	01-Jan/ 31-Dec	a)	33,200	19,282	-	-	-	-	**52,482**

a) with the approval of the 2022 financial statements.
Note that the amounts stated above do not include salaries received as employee income.

The table below summarises the remuneration paid to the members of the Board of Statutory Auditors for the year ended 31 December 2022.

Board of Statutory Auditors

(In euros)		Year ended 31 December 2022			
Full name	**Office held**	**Term of office**	**Expiry**	**Remuneration**	**General total**
Paolo Prandi	Chairman	01-Jan/31-Dec	a)	62,000	**62,000**
Alessandra Stabilini	Standing Auditor	01-Jan/31-Dec	a)	48,000	**48,000**
Gerardo Longobardi	Standing Auditor	01-Jan/31-Dec	a)	48,000	**48,000**

a) with the approval of the 2022 financial statements.

DISCLOSURE PURSUANT TO ARTICLE 149-DUODECIES OF THE ISSUERS' REGULATION

Type of services *(In thousands of euros)*	**Service provided by**	**Recipient**	**Total Fees 2022**
Audit	Auditor of the Parent Company	Parent company	410
Other services	Auditor of the Parent Company	Parent company	26
Sub total			**436**
Audit	i) Network of the parent's auditor	Subsidiary	97
	ii) Other auditors	Subsidiary	111
Sub total			**208**
Total			**644**

BALANCES OR TRANSACTIONS DERIVING FROM ATYPICAL OR UNUSUAL OPERATIONS

Pursuant to Consob Communication no. DEM/6064293 of 28 July 2006, it should be noted that there were no atypical and/or unusual transactions, as defined in said Communication.

Solomeo, 15 March 2023

Luca Lisandroni
Chief Executive Officer

Cav. Lav. Brunello Cucinelli
Chairman of the Board of Directors

Riccardo Stefanelli
Chief Executive Officer Product and Operations Area

CERTIFICATION AS PER ART. 154 BIS OF ITALIAN LEGISLATIVE DECREE NO. 58 OF 24 FEBRUARY 1998 (CONSOLIDATED LAW ON FINANCE) AND ART. 81-TER OF CONSOB REGULATION NO. 11971 OF 14 MAY 1999 AND SUBSEQUENT AMENDMENTS AND ADDITIONS

4) The undersigned Luca Lisandroni, as Chief Executive Officer of the Markets Area, Riccardo Stefanelli, as Chief Executive Officer of the Product and Operations Area, and Moreno Ciarapica, as the Financial Reporting Officer of Brunello Cucinelli S.p.A., hereby certify, taking into account the provisions of article 154-*bis*, paragraphs 3 and 4 of Legislative Decree no. 58 of 24 February 1998:
– their adequacy with respect to the company and
– the effective application of the administrative and accounting procedures for the preparation of the annual consolidated financial statements in the period between 1 January 2022 to 31 December 2022.
5) No significant aspects arose from applying the administrative and accounting procedures for the preparation of the annual consolidated financial statements as at 31 December 2022.
6) We also certify that:
   3.1 the annual consolidated financial statements:
      a) have been prepared in accordance with the international accounting standards recognised by the European Community as per Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
      b) agree with the balances on the books of account and the accounting records;
      c are suitable for providing a true and fair view of the financial position, results and cash flows of the issuer as well as the set of companies included in the consolidation.
   3.2 The Report on Operations includes a fair review of the development and performance of operations and of the position of the issuer and of the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they are exposed to.

Solomeo, 15 March 2023

Luca Lisandroni
AChief Executive Officer
Market Area

Riccardo Stefanelli
Chief Executive Officer
Product and Operations Area

Moreno Ciarapica
Financial Reporting
Officer

INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITOR'S REPORT IN ACCORDANCE WITH ARTICLE 14 OF LEGISLATIVE DECREE NO.39 OF 27 JANUARY 2010 AND ARTICLE 10 OF REGULATION (EU) NO. 537/2014

BRUNELLO CUCINELLI SPA

CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the shareholders of Brunello Cucinelli SpA

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Brunello Cucinelli Group (the "Group"), which comprise the consolidated statement of financial position as of 31 December 2022, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in shareholders' equity, consolidated cash flows statement for the year then ended, and explanatory notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2022, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of this report. We are independent of Brunello Cucinelli SpA (the Company) pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key Audit Matters	Auditing procedures performed in response to key audit matters
Assessment of the recoverability of rights-of-use assets *Note "6.1 Impairment" to the consolidated financial statements as of 31 December 2022* As of 31 December 2022 rights-of-use assets totalled Euro 520 million, accounting for 39 per cent of total consolidated assets. An impairment test of right-of-use assets, in the presence of impairment indicators, was performed as of 31 December 2022, in accordance with the impairment testing procedure approved by the board of directors, through a comparison between the carrying amount of each of the cash generating units ("CGUs") to which the assets are allocated and the respective value in use, identified as the present value of the future cash flows that are expected to be generated by the CGU, using the Discounted Cash Flow model. The present value of the cash flows for the explicit forecast horizon was supplemented by the terminal value, determined under the perpetual growth method by capitalising the cash flows generated in the last period of the forecast at a long-term growth rate (G-rate). For the purpose of discounting the cash flows to present value, management used a discount rate (WACC) considered appropriate to reflect the time value of money and the risk specific to the business, taking into account the country risk. Moreover, for the CGU OOO Brunello Cucinelli RUS, taking into account the uncertainty caused by the persisting conflict between Russia and Ukraine and the objective difficulty of defining an unambiguous scenario, the Group performed a multi-scenario analysis for the preparation of the impairment test. The impairment tests performed as of 31 December 2022 did not identify any impairment loss with regard to the right-of-use assets	We understood and evaluated the procedure used to test right-of-use assets for impairment, adopted by management as of 31 December 2022 and approved by the board of directors. For the CGUs where management identified potential impairment indicators as of 31 December 2022, we analysed the method used to develop the impairment tests in consideration of prevailing professional valuation practice and in accordance with IAS 36 "Impairment of assets" endorsed by the European Union. We verified the correct identification of the CGUs and the allocation of the carrying amounts of the assets and liabilities directly attributable to the CGUs. We verified that all CGUs were tested for impairment in the presence of impairment indicators and/or goodwill. With reference to the future cash flows expected from the CGUs, we verified whether they matched the impairment tests approved by the Company's board of directors. We analysed the key assumptions and hypotheses on which management based the projections for the CGUs that were tested for impairment. We evaluated, also through discussion with management, the reasonableness and consistency of the forecasts used by the Company with the requirements of IAS 36, with particular reference to the estimated future revenues, the Group's performance for previous years and external sources of information.

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
recognised in the consolidated financial statements. The Group performed a sensitivity analysis on the basis of changes in the discount rate and the G-rate. We considered the assessment of the recoverability of rights-of-use assets a key audit matter, taking into account the materiality of the amounts and the high degree of judgement required to determine the key assumptions used in the calculation of the recoverable amount.	With the support of valuation model experts from the PwC network, we: • recalculated the discount rates used to develop the impairment test; • verified the mathematical accuracy of the calculation model used to determine the values in use of the CGUs; • verified the reasonableness of the long-term growth rate on the basis of an analysis of publicly available sources and information on industry comparables; • compared the carrying amounts of the CGUs with the respective recoverable amounts; • re-performed the sensitivity analyses prepared by the Company. Finally, we evaluated the completeness and adequacy of disclosures provided in the consolidated financial statements.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate Brunello Cucinelli SpA or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- We concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No. 537/2014

On 19 April 2021, the shareholders of Brunello Cucinelli SpA in general meeting engaged us to perform the statutory audit of the Company's and the consolidated financial statements for the years ending 31 December 2021 to 31 December 2029.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed in this report is consistent with the additional report to the board of statutory auditors, in its capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion on compliance with the provisions of Commission Delegated Regulation (EU) 2019/815

The directors of Brunello Cucinelli SpA are responsible for the application of the provisions of Commission Delegated Regulation (EU) 2019/815 concerning regulatory technical standards on the specification of a single electronic reporting format (ESEF - European Single Electronic Format) (hereinafter, the "Commission Delegated Regulation") to the consolidated financial statements, to be included in the annual report.

We have performed the procedures specified in auditing standard (SA Italia) No. 700B in order to express an opinion on the compliance of the consolidated financial statements with the provisions of the Commission Delegated Regulation.

In our opinion, the consolidated financial statements as of 31 December 2022 have been prepared in XHTML format and have been marked up, in all significant respects, in compliance with the provisions of the Commission Delegated Regulation.

Due to certain technical limitations, some information included in the explanatory notes to the consolidated financial statements when extracted from the XHTML format to an XBRL instance may not be reproduced in an identical manner with respect to the corresponding information presented in the consolidated financial statements in XHTML format.

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98

The directors of Brunello Cucinelli SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of the Brunello Cucinelli Group as of 31 December 2022, including their consistency with the relevant consolidated financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the consolidated financial statements of the Brunello Cucinelli Group as of 31 December 2022 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of Brunello Cucinelli Group as of 31 December 2022 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Statement in accordance with article 4 of Consob's Regulation implementing Legislative Decree No. 254 of 30 December 2016

The directors of Brunello Cucinelli SpA are responsible for the preparation of the non-financial statement pursuant to Legislative Decree No. 254 of 30 December 2016.

We have verified that the directors approved the non-financial statement.

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Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016, the non-financial statement is the subject of a separate statement of compliance issued by ourselves.

Pescara, 5 April 2023

PricewaterhouseCoopers SpA

Signed by

Stefano Amicone
(Partner)

As disclosed by the Directors on page 90, the accompanying consolidated financial statements of Brunello Cucinelli SpA constitute a non-official version which is not compliant with the provisions of the Commission Delegated Regulation (EU) 2019/815. This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.